

## **Audit and Standards Committee**

23 April 2024

(10.00 am - 11.16 am)

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

### **Draft Minutes**

#### **Present:**

Chair: D Willis, OBE

Councillors: G Castle, C Ferguson, C Gray, C Hardy, A McMullen, T Mulvenna, J Shaw and A Walker

#### **31 WELCOME AND APOLOGIES**

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

Apologies for absence were received from Councillor Grimshaw and her substitute member, Councillor Wallace.

E Richards, independent member was also in attendance.

#### **32 DECLARATIONS OF INTEREST**

None.

#### **33 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 19 SEPTEMBER 2023 - FOR APPROVAL**

**RESOLVED** - That the agreed minutes of the meeting held on 19 September 2023 be approved and were signed by the Chair.

#### **34 AGREEMENT OF THE NOTES OF THE MEETING HELD ON 23 JANUARY 2024**

**RESOLVED** - That the notes of the meeting (inquire) held on 23 January 2024 be agreed as an accurate record and were signed by the Chair.

**35 2022/23 AUDIT COMPLETION REPORT AND AUDITOR'S ANNUAL REPORT**

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to the official records) for the External Auditors, Mazars, to provide the Audit and Standards Committee the Audit Completion Report and Auditors Annual Report relating to NTCA Statement of Accounts 2022/23.

G Barker, External Auditors, Mazars, confirmed the National Audit Office had not selected the NTCA 2021/22 Statement of Accounts for sample inspection and they were signed off at the end of March 2024. The Audit Certificate could therefore be provided, which G Barker agreed to issue by 26 April 2024.

G Barker then presented the report to Committee and gave an overview of the Audit Completion Report 2022/23 and the Auditors Annual Report 2022/23.

**Audit Completion Report 2022/23**

G Barker explained that it was anticipated an unqualified opinion would be issued on the NTCA 2022/23 Statement of Accounts.

*[At this point Councillor Ferguson joined the meeting]*

The same position applied to the 2022/23 Statement of Accounts as with the 2021/22 Statement of Accounts, whereby the Audit Certificate could not be issued until clearance was received from the National Audit Office (NAO) about whether the 2022/23 Statement of Accounts would be sample inspected. This was expected by end of November 2024, in accordance with the NAO timetable to report on the Whole of Government Accounts.

The fundamental objective for the 2022/23 Statement of Accounts was to complete the audit without being caught in the backstop arrangements, which were to be concluded by end of September. A date was expected to be confirmed to issue the Audit Opinion and enable the Accounts to be signed off in time.

Referring to page 7 of the Report, G Baker highlighted the two areas of outstanding matters to complete the audit. He explained the awaited external confirmations from a small number of investments were being progressed with officers, and a final review of the final financial statements was yet to be undertaken, noting should there be any amendments, there was a delegated authority in place.

He also highlighted the section, Significant Matters discussed with Management, on page 14 of the Report, which related to the adjustment to correct the errors in accounting for capital loans that were found on the balance sheet, and the acceptance of the £626,000 pension asset after enquiries had been made to NECA, which confirmed there was no asset ceiling, and no further work was therefore required.

The corrected errors in accounting for capital loans were also highlighted by G Barker on the Adjusted Misstatements tables on page 20 of the Report, which showed the NTCA adjustment made in 2022/23 and 2021/22.

Janice Gillespie, Chief Finance Officer explained that the errors in accounting for capital loans had been identified by a capital accountant during the 2023/24 year-end preparatory work, which involved capital investment fund loans made by the North East LEP and the Green New Deal Fund for North of Tyne. This had resulted in moving a balance from a useable reserve into a capital adjustment account, as a non-useable reserve. She also confirmed the accounting corrections had been made for 2021/22 and 2022/23.

G Barker advised the Emphasis of Matter paragraph, to be issued as part of the Audit Report, had the necessary approved wording and was ready to approve the audit.

He confirmed the Accounts were prepared on a going concern basis due to the transfer of NTCA functions to the new combined authority.

The draft management representation letter, Appendix A, was to be signed by the Chief Finance Officer and would be needed either at the point of signing-off the Accounts or after 6 May 2024.

*[At this point Councillor Gray joined the meeting]*

#### Auditor's Annual Report 2022/23

G Barker explained the report summarised the completed work on the 2022/23 Statement of Accounts. In terms of value for money, there were no significant weaknesses identified or recommendations made to the three areas of Value for Money reporting criteria.

The report included the final audit fees which had been noted by the Chief Finance Officer. All audit fees were agreed and subject to the Public Sector Audit Appointments approval.

Concluding, the Chair noted that all three sections of the Auditor's Annual Report 2022/23 provided a clean report.

**RESOLVED** – That the Committee noted:

- i. the Audit Completion Report 2022/23; and
- ii. the Auditors Annual Report 2022/23.

36

### **2022/23 AUDITED STATEMENT OF ACCOUNTS**

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to the official records) to present Audit and Standards Committee with the 2022/23 Audited Statement of Accounts including the Narrative Report and Annual Governance Statement for the North of Tyne Combined Authority (NTCA).

J Gillespie, Chief Finance Officer presented the report and explained there had been no material changes to the initial draft Statement of Accounts, with the exception of the capital accounting for loans, previously seen by Committee members at the briefing session in November 2023.

Further to the Order being placed to establish the new combined authority, there included stronger referencing to the transition from NTCA to the new combined authority on 7 May 2024, including the going concern position of NTCA, for transparency purposes.

There were no further changes to the Annual Governance Statement 2022/23 to bring to the attention of Committee members.

The draft Narrative Report had also been updated with the Order being in place, along with the transition timelines to the new combined authority.

As a point of reflection, the Chair commented upon the Committee's improved position in terms of approving Accounts prior to the closure of the Committee's responsibilities.

**RESOLVED** – That the Committee reviewed the 2022/23 Audited Statement of Accounts, including the Narrative Report and Annual Governance Statement for the North of Tyne Combined Authority.

### 37 **AUDIT AND STANDARDS COMMITTEE SELF-ASSESSMENT OF EFFECTIVENESS**

Submitted: Report of Chief Internal Auditor (previously circulated and a copy attached to the official records) to support Audit and Standards Committee to complete its annual review of effectiveness.

I Pattison, Chief Internal Auditor informed the Committee there was a positive outcome to the self-assessment, which showed there was a good level of performance against good practice. There were no significant issues to raise with Committee and he advised the report could be taken as read.

In response to the Chair's question about the comments and validity of the scoring given to quoracy (Question 22), in light of the fact that it remained at 3 despite only one meeting being inquorate, an improved position. I Pattison explained the scoring mechanism went from 3 to 5, so no 4, and that the score provided would not affect the overall opinion. Based on the Committee's past quoracy information provided by the Chair in the meeting, I Pattison agreed to review and strengthen the comments about quoracy.

**RESOLVED** – That the Committee recommended:

- i. To amend and endorse the self-assessment of Audit and Standards Committee arrangements against good practice.
- ii. To agree the self-assessment will form the basis of the 2023/24 annual report of Audit and Standards Committee and delegate responsibility to the Chair to compile this report on behalf of Committee for presentation to the North East Mayoral Combined Authority's Cabinet.

### 38 **INTERNAL AUDIT - FOURTH QUARTER UPDATE ON 2023/24 AUDIT PLAN**

Submitted: Report of Chief Internal Auditor (previously circulated and a copy attached to the official records) to provide Audit and Standards Committee with the fourth quarterly progress update against the 2023/24 Audit Plan.

I Pattison, Chief Internal Auditor presented the report and explained there had been some delays in receiving information for the Key Financial Systems audits and it was expected to be completed in the next few weeks. The final report would be submitted to the new combined authority.

Responding to a member's query on the transfer of financial systems and the impact on the new combined authority, J Gillespie, Chief Finance Officer, explained the new combined authority would use Durham's general ledger system, which was the same system used by North Tyneside and would provide seamless accounting for payroll transactions.

She assured members the joint accounting work with Durham was progressing well, in preparation for the start of the new combined authority on 7 May 2024. She was confident in the project plan around testing the new financial systems. North Tyneside staff were already familiar with the payment system and there was staff training in place.

I Pattison added that his team would provide the Annual Governance Statement for 2023/24, which would be taken forward with the new combined authority.

**RESOLVED** – That the Committee noted the report.

### 39 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

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

P Slater, Risk Advisor to NTCA confirmed that the Risk Register would continue up to 6 May 2024, and advised after that date the risk register would be managed by I Pattison for the new combined authority.

Following under the same agenda item, J Gillespie, Chief Finance Officer provided a presentation to give an update on the North East Devolution. The following points were noted:

- ICT was in place for the new combined authority and ready for 7 May 2024, which was made up from five of the local authority partners and led by Newcastle City Council.

- The Lumen would be the main registered office of the new combined authority. There would also be desk space allocated within offices of the local authority partners, some would also have meeting rooms.
- Committee and Cabinet meetings would be held in rotation around the seven local authorities.
- The new combined authority had been allowed by the bank to take over from NECA's existing bank account.
- The Assurance Framework was agreed with government and the Investment Framework was anticipated to go to Cabinet in September 2024.

J Gillespie added that the new combined authority would have 198 employees, made up from five organisations across two legal entities (NTCA and NECA).

Responding to a member's query about contractual arrangements in relation to the incoming North East LEP activities and investment, J Gillespie advised the North East LEP contracts would continue by default and be accounted for and monitored under the strategic direction of the new combined authority. J Softly clarified that the North East LEP was not a legal entity and was contractually bound under NTCA, and would therefore transfer to the new combined authority.

J Gillespie and G Barker discussed the changes to the composition of the Group accounts between NTCA and the new combined authority, including the complexities involved with the closure of the 2023/24 Accounts.

It was confirmed by J Gillespie the new combined authority would be one single legal entity and therefore would produce one set of accounts. G Barker noted however that there would be two sets of accounts for 2023/24.

The Chair encouraged Committee members to put themselves forward to sit on the Audit and Standards Committee of the new combined authority, noting the importance of attending every meeting in order to follow continuing audit matters. J Softly confirmed the appointments to the new Audit and Standards Committee and Overview and Scrutiny Committee were scheduled in June 2024 after the annual meetings in each of the seven constituent councils had taken place.

Responding to a member's query, J Gillespie advised she anticipated a full and transparent review of the four risk registers, to understand the new risks held by the new combined authority.

It was noted the new combined authority risk register would be managed by I Pattison under a service level agreement with North Tyneside Council Internal Audit.

**RESOLVED** – That the Committee:

- Reviewed, challenged, and accepted the outcomes of the strategic risk review.
- Accepted that the NTCA Strategic Risk Register will be closed on 6 May 2024.

- iii. Noted the summary of the strategic risks identified by the North East LEP; and
- iv. Noted the summary of the strategic risks identified by the North East Joint Transport Committee (North East JTC).

#### 40 **2023/24 PREPARATION OF THE STATEMENT OF ACCOUNTS**

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

J Gillespie, Chief Finance Officer presented the report and confirmed the accounting year-end on 6 May 2024 applied to both NTCA and NECA. She assured Committee that planning for key challenges involving the Group Accounts and material adjustments were underway in the approach to closing down the Accounts.

J Gillespie advised the draft Statement of Accounts for 2023/24 would more likely to be available at the end of September 2024 than the end of July 2024. Permission had been granted to publish outside the normal publication deadlines and public notices would still be published to advise why the accounts had not been published by the statutory deadline.

Responding to the Chair, G Barker advised that the audited Accounts would contain a lot of estimations and noted the backstop arrangements were to be concluded by end of May 2025. J Gillespie highlighted the importance of continuing to work closely with Mazars, particularly leading to the final position on the 2023/24 draft Accounts.

J Gillespie and G Barker were both in agreement with the Chair that the 2023/24 Statement of Accounts be approved before work commenced on the 2024/25 Statement of Accounts.

**RESOLVED** – That the Committee noted the work outlined in respect of the closure of the 2023/24 Accounts.

#### 41 **2023/24 REPORT ON ACCOUNTING POLICIES TO BE USED IN COMPILATION OF ANNUAL STATEMENT OF ACCOUNTS**

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to the official records) to provide the Audit and Standards Committee with details of the proposed accounting policies to be applied in the preparation of the 2023/24 Statement of Accounts of the North of Tyne Combined Authority (NTCA).

J Gillespie, Chief Finance Officer advised Committee there were no material changes to the current accounting policies used, which were also aligned with NECA and Nexus accounting of income and expenditure.

**RESOLVED** – That the Committee noted the Accounting Policies to be adopted by the Combined Authority and used to compile the Accounts for the financial year ended 6 May 2024.

**42 2023/24 DRAFT ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of Risk Advisor to North of Tyne Combined Authority (NTCA) (previously circulated and a copy attached to the official records) to present to Audit and Standards Committee the draft 2023/24 Annual Governance Statement.

P Slater, Risk Advisor to NTCA advised Committee the draft Annual Governance Statement was based on the same model as previous years and would be updated as required.

**RESOLVED – That the Committee:**

- i. Considered the first draft of the NTCA 2023/24 Annual Governance Statement.
- ii. Acknowledged the 2023/24 Annual Governance Statement will be kept under review and amended as necessary should any weaknesses come to light up to the date of the final approval of the NTCA financial statements.

At the end of the meeting the Chair thanked the Committee members and officers for the support given to him since taking up the role as Independent Chair in November 2022.