

## **Audit and Standards Committee**

**8 April 2025**

(10.00am)

Meeting held in: Committee Room 1A, County Hall, Durham

### **Minutes**

**Present:** Dave Willis OBE (Chair)  
Councillor Ged Bell  
Councillor Ken Dawes  
Councillor Tracy Dodds  
Councillor David Herbert  
Councillor Frank Lott  
Councillor Mark Mitchell  
Councillor Ian Patterson  
Councillor Julie Simpson  
Councillor Mark Swinburn  
Councillor Alex Watson

#### **ASC26/4/25 Apologies for Absence**

Apologies for absence were received from:  
Councillor Caroline Ball  
Councillor Louise Fenwick  
Councillor John Harrison  
Councillor Michael Hartnack  
Eric Richards (Independent Person - Standards)

#### **ASC27/4/25 Declarations of Interest**

There were no declarations of interest.

#### **ASC28/4/25 Minutes**

**Resolved** that the minutes of the previous meeting held on 18 February 2025 be confirmed as a correct record and signed by the Chair.

#### **ASC29/4/25 Internal Audit Quarterly Update**

In September 2024 the Committee had approved the 2024/25 Internal Audit Plan, The Chief Internal Auditor presented a report setting out details of the progress made against the assignments included in the plan. The Chief Internal Auditor confirmed that the Internal Audit

Annual Opinion 2024/25 would be completed and reported to the Committee at its meeting in July 2025.

The Chief Internal Auditor reported on preparations to create an Internal Audit Plan for 2025/26. One key strand of audit planning was input from senior management. With three new directors having only recently started with the North East CA, it was the Chief Internal Auditor's view that they should be given sufficient time to form a view on the effectiveness of arrangements in their area and identify potential priorities for consideration as part of audit planning. As such, the Plan would be presented to the Committee at its meeting in July 2025, to allow for appropriate consultation. In the meantime, work had commenced on the risk assessment which would underpin preparation of the Plan.

**Resolved** that the progress made in delivering the 2024/25 Internal Audit Plan and arrangements for developing the 2025/26 Plan be noted.

### **ASC30/4/25 Review of Effectiveness of Audit and Standards Committee Arrangements**

At its previous meeting the Committee had authorised the Chair, in consultation with senior officers, to complete an initial self-assessment of the effectiveness of the Committee's arrangements. The assessment would form the basis of an annual report to be prepared and presented to Cabinet. The self-assessment had been shared with all members of the Committee for comment prior to the meeting when a number of issues and comments had been raised. The self-assessment and those issues to emerge were presented to the Committee for consideration.

Overall, the self-assessment demonstrated that the arrangements were working well with a good level of performance against good practice guidance. There were a small number of areas where scores could be improved. Some of these scores were lower solely due to the embryonic nature of the Authority and would naturally improve over time. There were also a small number of areas where, for pragmatic reasons, no further action was planned to be taken to improve scores against the good practice recommendations.

The Committee paid particular attention to its arrangements for evaluating the knowledge, skills and training needs of committee members. Members and substitute members had been asked to complete a skills survey and the response rate had been 50%. The Chair had analysed a breakdown of who had responded to the survey and had been satisfied that 13 of the 14 members or their substitutes had engaged with the process. It was suggested that further work be undertaken to evaluate the knowledge and skills of members appointed to the Committee following the elections in May 2025. The Chair encouraged members where possible to seek re-appointment to the Committee in 2025/26 as they had now gained valuable knowledge and experience of the North East CA.

**Resolved** that:

1. the self-assessment of Audit and Standards Committee arrangements against good practice be endorsed; and
2. the self-assessment form the basis of the Audit and Standards Committee Annual Report 2024/25 and the Chair be authorised to compile the Annual Report on behalf of Committee for presentation to Cabinet.

### **ASC31/4/25 Accounting Policies for Application to the 2024/25 Statement of Accounts**

The Committee were presented with details of the accounting policies to be applied in the preparation of the 2024/25 Statement of Accounts. The Local Government Act 2003 required the North East CA to produce its Statement of Accounts in accordance with proper accounting practices. In preparing its Statement of Accounts for 2024/25, the Authority would follow the CIPFA

(Chartered Institute of Public Finance and Accountancy) Code of Practice for Local Authority Accounting in the UK. The draft Statement of Accounts would be presented to the Committee in July 2025.

The material accounting policies applied within the 2023/24 Statement of Accounts for the two predecessor combined authorities were deemed to be appropriate for, and would be adopted in, the 2024/25 Statement of Accounts of the North East CA. The one proposed change to those policies related to the adoption of IFRS (International Financial Reporting Standards) 16 Leases, which came into effect for local authorities and combined authorities from 1 April 2025. The adoption of IFRS 16 was not expected to have a material impact on the financial statements. Other CIPFA Code changes for 2024/25 were considered minor and there were no further accounting policies which required amendment as a result of changes in the Code.

During questions, officers provided an explanation of the Authority's approach to residual values and depreciation of its assets. Officers also described the arrangements within the Authority for reviewing and reporting impaired loans and seeking approval for any loan write downs. Officers also undertook to provide members of the Committee with supplementary information relating to the single case to date when the Cabinet had agreed to write down a loan.

**Resolved** that:

1. the accounting policies to be applied in the preparation of the 2024/25 Statement of Accounts, incorporating an amendment to policy (14) in relation to leases, be approved; and
2. the Director of Finance and Investment be authorised to review the accounting policies as necessary, including for materiality, and report any changes to the Audit and Standards Committee.

#### **ASC32/4/25 Final Auditor's Annual Reports 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority**

The Committee were presented with the Final Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year. The reports had been presented to the Committee at its previous meeting in draft form pending completion of the audits. They summarised the work Forvis Mazars had undertaken as the auditors for NECA and NTCA for the period ending 6 May 2024. The audits had been completed and the final audit reports issued on 26 February 2025.

Members sought clarification on the difficulties encountered during the audit in relation to the quality of the draft financial statements and on work to identify significant transactions outside the normal course of business. A representative from Forvis Mazars confirmed that the final Annual Reports represented the completion of the 2023/24 audit and indicated that the capacity was in place to complete the 2024/25 before the backstop deadline.

**Resolved** that the Final Auditor's Annual Reports 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority be noted.

#### **ASC33/4/25 Strategic Risk Review**

The Committee were presented with a 6-monthly update on the North East CA's strategic risks in line with the governance and risk management arrangements established within the North East CA's Risk Management Framework. The Senior Leadership Team, supported by risk officers, had completed the latest, formal, quarterly review of strategic risk and opportunities in early February 2025. Details of each strategic risk, risk owners, previous and current risk scores, direction of travel, target score and controls and management actions being undertaken were presented to the Committee.

The key changes since the last report were the closure of a strategic risk associated with political and policy change, the addition of a new strategic risk in relation to the Authority's future Integrated Settlement and an improvement in the score of the risk relating to transport funding and scale.

The Committee was invited to consider and provide comment on the current strategic risks and any feedback would be incorporated into the upcoming quarterly risk review by Senior Leadership Team due to take place late April and the next formal Cabinet review in September.

During the Committee's examination of the risks, members:

- a) queried whether the political and policy change risk would need to be revisited if there were a change in Government, a change of Mayor or significant changes in membership of the Cabinet. Such risks had been captured and assessed at Directorate level and would be escalated to the strategic level if necessary;
- b) referred to the uncertain global economic climate and discussed how factors such as increasing costs of goods and services would be captured and assessed in programme level risk registers. The Local Growth Plan would also seek to address those uncertainties by creating a more resilient local economy;
- c) highlighted the role of constituent authorities in helping to control the strategic risks; and
- d) explored in more detail the timescales for addressing the strategic risk St007 in relation to accessing data to allow performance reporting and its likely impact on morale.

The Committee were also to undertake a series of 'deep dives' to review, in detail, each of the strategic risks, and test that planned controls and target risk scores were appropriate and achievable. The first of these deep dives was to be in relation to strategic risk St003 Inclusive Growth. (See minute ASC34/4/25 below.)

**Resolved** that the six monthly update on the North East CA's strategic risks and progress to embed risk management across the North East CA be noted.

### **ASC34/4/25 Strategic Risk St003 Inclusive Growth**

The Committee undertook the first of a series of 'deep dives' to review, in detail, each of the strategic risks, and test that planned controls and target risk scores were appropriate and achievable. The first of these deep dives was in relation to strategic risk St003 Inclusive Growth. There was a risk that the North East CA's ambition on inclusive growth and creating opportunities for all, may not deliver planned outcomes to improve wellbeing for all, including addressing child poverty whilst reducing inequality and removing barriers.

The risk owner, the Head of Strategy and Innovation, attended the meeting to present details of the risk controls, in particular the preparation of the Interim North East Local Growth Plan. The 10 year Plan set out how the Authority would grow the economy, support businesses and improve living standards for people across the region. The Plan sought to build inclusivity into every element of the local economy, ensuring that it does so in a manner that improves lives for all.

The Committee asked questions and made comments when the following issues were considered in more detail:

- a) how constituent authorities were involved in the preparation of the Plan and forthcoming engagement events;
- b) how the Authority was collaborating with the Tees Valley and other combined authorities on aspects of the Plan;
- c) provision within the Plan for working with the education sector on careers advice, utilising adult skills funding and working with universities;
- d) the convening role for the Authority to work with others to remove barriers to growth, for example the capacity of the National Grid to distribute solar generated power;
- e) the opportunities to support businesses and industries to transition to a green economy;

- f) the intention to report the outcomes of consultation and engagement on the Plan to Cabinet later in the year when it would be asked to approve the final Plan and further work to develop performance management arrangements; and
- g) how in future the Authority may have greater influence on planning policy as the Government were proposing that it would be required to prepare a Spatial Development Strategy to determine regional-wide strategic planning policies.

It was suggested that the next deep dive be in relation to the new strategic risk St008, that the Authority would receive a sub-optimal integrated financial settlement outcome either due to financial under-delivery in 2025/26 or through a failure to agree an appropriate outcomes framework with Government. The Director of Finance and Investment provided an introductory overview of the risk.

**Resolved** that the Committee undertake a deep dive in relation to strategic risk St008 Integrated Settlement at its next meeting.

### **ASC35/4/25 Strengthening the Standards and Conduct Framework for Local Authorities**

At its previous meeting the Committee had asked for further information on the operation of standards regimes in constituent councils across the region. Accordingly, the Monitoring Officer presented information for the previous 3 years in relation to:

- a) how many standards complaints each authority had received;
- b) how many had resulted in findings that the code had been breached; and
- c) what sanctions had been imposed.

The Monitoring Officer confirmed that members of the Committee had been provided with a copy of the North East CA's arrangements for dealing with allegations of breaches of its Code of Conduct for Members so that they were familiar with the process.

Under the terms of the Authority's Constitution, the Committee could appoint a sub-committee to conduct standards hearings and grant dispensations. It was proposed that the Committee appoint a sub-committee at its next meeting, following the upcoming elections, and that the sub-committee comprise the independent chair and 7 elected members (one from each constituent authority).

**Resolved** that:

1. the additional information on the operation of standards regimes in constituent councils across the region and the Authority's arrangements for dealing with allegations of breaches of its Code of Conduct for Members be noted; and
2. at its next meeting the Committee appoint a sub-committee to conduct standards hearings and grant dispensations, to be made up of the independent chair and 7 elected members (one from each constituent authority).

### **ASC36/4/25 Work Programme 2025/26**

The Committee were presented with a proposed work programme for the 2025/26 municipal year. The programme had been compiled in consultation with the Chair of the Committee, the Director of Finance and Investment, the Chief Internal Auditor and the Authority's external auditors.

It was suggested that the meeting scheduled for 14 April 2026 be brought forward as this would be 2 weeks prior to elections in some constituent councils.

The Chair reported that due to the availability of rooms the next meeting on 8 July 2025 would be held in Sunderland, who had previously hosted a meeting of the Committee. The following meetings would then be hosted by North Tyneside, Northumberland and Newcastle thereby

ensuring the Committee had visited each of the seven constituent councils in its first two years of operation.

**Resolved** that:

1. the Committee's work programme 2025/26 be approved;
2. 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. the Committee 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; and
4. the meeting to be held on 14 April 2026 be rescheduled to an earlier date.