

Audit and Standards Committee

8 July 2025

(10.00am)

Meeting held in: Council Chamber, City Hall, Sunderland

Minutes

Present:

- Dave Willis OBE (Chair)
- Councillor Nick Brown
- Councillor Jill Green
- Councillor Ged Bell
- Councillor Ken Dawes
- Councillor Tracy Dodds
- Councillor John Harrison
- Councillor Martin Jackson
- Councillor Mark Mitchell
- Councillor John O'Shea
- Councillor Ian Patterson
- Councillor Alison Smith
- Councillor Mark Swinburn

ASC1/7/25 Apologies for Absence

Apologies for absence were received from:

Councillor David Herbert and his substitute member, Councillor Chris Davies
Councillor Frank Lott (Councillor John O'Shea was present as his substitute)
Councillor Dawn Saunders and her substitute member, Councillor Brian Quirey
Councillor Colin Ferguson (Chair of the Overview and Scrutiny Committee)
Eric Richards (Independent Person - Standards)

ASC2/7/25 Declarations of Interest

There were no declarations of interest.

ASC3/7/25 Minutes

Resolved that the minutes of the previous meeting held on 8 April 2025 be confirmed as a correct record and signed by the Chair.

ASC4/7/25 Appointment of Vice Chair

Resolved that Councillor Ged Bell be appointed as Vice Chair of the Committee for the municipal year 2025/26.

ASC5/7/25 Internal Audit Annual Report and Opinion 2024/25 including Internal Audit Update

The Authority's Chief Internal Auditor presented a report on completion of the Internal Audit Plan 2024/25 including a summary of the outcomes from the activity. The Committee also considered the Chief Internal Auditor's annual report and opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Based upon the work undertaken by Internal Audit, the Chief Internal Auditor provided reasonable assurance that the North East CA's governance, risk management and control frameworks were adequately designed and operating effectively to support achievement of its objectives. Given the embryonic nature of the organisation this was a positive opinion, reflecting a generally sound system of governance, risk management and internal control. The report confirmed the independence and objectivity of Internal Audit, indicated a high degree of conformance with public sector auditing standards and noted there were no significant matters which required disclosure within the Annual Governance Statement. The Director of Finance and Investment indicated that the Authority expected to progress to a substantial assurance opinion by the end of 2025/26.

Resolved that the completion of the 2024/25 Internal Audit Plan and the Internal Audit Annual Report and Opinion 2024/25 be noted.

ASC6/7/25 Internal Audit Charter and Internal Audit Plan 2025/26

The Chief Internal Auditor presented a proposed Internal Audit Charter and Internal Audit Plan 2025/26 for review and approval by the Committee.

The Charter enabled the Committee to establish its expectations of internal audit, ensure it met essential conditions set out in Global Internal Audit Standards and establish interactions between internal audit, senior management and the committee. The proposed Charter had been prepared by the Chief Internal Auditor in consultation with the Authority's senior leadership team and it included the purpose, mandate, authority, role and responsibilities of the internal audit function provided by North Tyneside Council to the North East CA.

The Internal Audit Plan had been developed in conformance with Global Internal Audit Standards and based on understanding and assessing the North East CA's aims and objectives, risk management profile and assurance arrangements/framework as well as other relevant factors which may impact upon the North East CA in the coming year. In reviewing the Plan, the Committee challenged the performance measure seeking to achieve a 90% satisfaction rate from customers and whether the service should aspire to achieve 100%. The Chief Internal Auditor confirmed that the service did aspire to achieve a 100% rate but in reality, customers would not always agree with auditors' recommendations. The Chair commented that if the 90% target was not achieved it would be reported to and reviewed by the Committee. Officers also undertook to confirm timescales for audit engagements in an updated version of the plan to be presented to the next meeting of the Committee in September.

Resolved that Internal Audit Charter and Internal Audit Plan 2025/26 be approved.

ASC7/7/25 Draft Statement of Accounts 2024/25

The Head of Finance reported that the draft 2024-25 Statement of Accounts were substantially complete. The draft accounts would be published on the North East CA website during July 2025, rather than the planned date of 30 June 2025 to allow time for appropriate review and quality assurance. The delay was due to the extended timescales involved in completing the audit of the 2023-24 Statements of Accounts for the two demised combined authorities having an impact on timescales for preparation of the 2024-25 draft Statement of Accounts. The Chief Finance Officer had published a notice on the Authority's website to explain the reason for the delay.

The draft accounts would be made available for inspection by members of the Committee once published and the Committee would receive a full presentation at its next meeting on 16 September 2025. The accounts would then be subject to audit during October to December 2025 and brought back to the committee in January 2026 alongside the report of the external auditor. The audited accounts will be presented to Cabinet for approval at its meeting on 3 February 2026, in advance of the audit backstop date for 2024-25 accounts (27 February 2026).

Resolved that the updated position on the publication of the draft North East CA Statement of Accounts for 2024-25 be noted.

ASC8/7/25 Annual Governance Statement 2024/25

The North East CA had a statutory duty to conduct a review of the effectiveness of its governance framework on an annual basis, including the system of internal control and prepare an Annual Governance Statement (AGS). A review had been undertaken and an AGS had been prepared in accordance with guidance on good governance. The review had highlighted no significant weaknesses in these arrangements during the year but did identify two areas where existing arrangements could be enhanced through development of a formal Local Code of Governance and Performance Management Framework. The AGS was presented to the Committee for review.

The AGS would be kept under review and amended as necessary should any weaknesses come to light before the audit of the financial statements were finalised. The AGS would form part of the Authority's financial statements for 2024/25 and would be considered as part of the audit of these statements.

With reference to Section C of the AGS, the Committee expressed an interest in examining in more detail evidence to demonstrate how the principles of good governance were applied by the Authority in defining its desired outcomes and benefits as set out in its Corporate Plan. The Chair asked that officers provide members of the Committee with further evidence and assurance in relation to governance in action in this area and, if necessary, the matter be given further consideration at the Committee's informal workshop to be held on 18 November 2025. The Chair also encouraged members to take time to read the AGS ahead of its inclusion in the final Statement of Accounts to be presented to the Committee in January 2026.

Resolved that:

1. the draft Annual Governance Statement (AGS) for 2024/25 be noted; and
2. the Committee be provided with further evidence and assurance in relation to how the principles of good governance are applied in defining the outcomes and benefits set out in its Corporate Plan and, if necessary, the matter be given further consideration at the Committee's informal workshop to be held on 18 November 2025.

ASC10/7/25 External Audit: Audit Strategy Memorandum for the Year Ending 31 March 2025

The Authority's External Auditors, Forvis Mazars, presented the Audit Strategy Memorandum for the year ending 31 March 2025 for consideration and comment. The memorandum outlined the external auditor's proposed approach to performing their audit of the Authority's financial statements, including its scope, timeline, details of the audit team, significant audit risks, areas of key judgement and fees. The report also provided confirmation of the auditor's independence.

In considering the memorandum, members explored in more detail:

- a) how the audit would be subject to internal and external quality review;
- b) the anticipated timescales for the completion of the audit;
- c) the implications of special considerations, as set out in the International Standard on Auditing, for the audit of group financial statements covering both Nexus and the North East CA; and
- d) the scope of the external auditor's judgment on value for money.

Resolved that the Audit Strategy Memorandum for the Year Ending 31 March 2025 be noted.

ASC11/7/25 Strategic Risk St008 Integrated Settlement

The Committee undertook another in 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. On this occasion members considered the strategic risk St008 in relation to the Integrated Settlement. The risk was that the North East CA would receive a sub-optimal integrated financial settlement outcome, due either to financial under-delivery in 2025/26 or through a failure to agree an appropriate outcomes framework with HM Government.

The risk owner, the Director of Finance and Investment, attended the meeting to present details of the principles of the Integrated Settlement and the risk controls put in place in the form of a programme of visible, high-level workstreams, milestones and shared outcomes, with reference to the Government's readiness framework.

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

- a) how an integrated settlement represented a shift towards the CA seeking to maximise the overall allocation of devolved powers and funding from Government by demonstrating its capacity to deliver outcomes for the region and away from having to submit bids through multiple processes for smaller discrete pots of funding;
- b) how the Authority would exercise the flexibilities offered by an integrated settlement through its decision making processes; and
- c) members noted the target risk score (E2) and hoped that the planned mitigations and work in the area would mean the risk could be removed from the strategic register within the next 12 months.

Resolved that the Director of Finance and Investment provide the Committee with an update on the Authority's readiness for an Integrated Settlement at its next meeting in September 2025.

ASC12/7/25 Overview and Scrutiny Annual Report 2025/26

Government guidance emphasised the need for overview and scrutiny committees to work in tandem with audit committees to agree how to manage shared areas of interest and responsibility. Consequently, the Committee were presented with the Overview and Scrutiny Committee's (OSC) Annual Report 2024/25. The Annual Report documented the role played by the OSC in reviewing and scrutinising the decisions taken by the North East Mayor and the North East CA Cabinet,

monitoring delivery of its programmes and contributing to the development of its policy and strategies. The Committee were invited to receive the report, note how the OSC had performed its complementary role over the past year and consider whether there were opportunities for collaborative working. The report had also been presented to Cabinet on 10 June 2025.

It was noted that the process for scrutinising the Authority's budget proposals had been reviewed and was to be revised in 2025/26, based on experience gained during the previous year. The Chair also reported that he met regularly with the Chair of the OSC to share information and co-ordinate their respective work programmes.

Resolved that the Overview and Scrutiny Committee Annual Report 2024/25 be noted.

ASC13/7/25 Appointment of Standards Sub Committee

The Committee considered an option to appoint a sub committee to conduct hearings and determine complaints of breaches of the Code of Conduct for Members and to grant dispensations to members with registerable and non-registerable personal interests to enable them to participate and vote at committee meetings.

It was proposed that if the Committee wished to establish a sub committee, the membership be drawn from members of the Committee and comprise the Independent Chair (as the non-voting Chair of the sub committee) and 7 elected members (one from each constituent authority, together with one substitute member for each member to act in their absence). The Committee were invited to consider whether the membership should be politically balanced and whether the quorum should be at least 5 voting members to reflect the arrangements for Audit and Standards Committee.

Resolved that the Assistant Director Legal and Governance liaise with members of the Committee in formulating proposals for the appointment and operation of a Standards Sub Committee and present these to the next meeting of the Committee for consideration.

ASC14/7/25 Date and Time of Next Meeting

It was noted that the next scheduled meeting would be held on Tuesday 16 September 2025 at 10.00am in the Civic Centre, Newcastle upon Tyne.