



## **Audit and Standards Committee**

Monday 30th July, 2018 at 10.00 am

Meeting to be held: North Tyneside Council, Quadrant, The Silverlink, Cobalt Business Park, NE27 0BY

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# AGENDA

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Page No

1. **Apologies for absence**

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. **Minutes of Governance Committee Meeting held on 3 April 2018** 1 - 6

4. **Constitutional changes proposed to Leadership Board – Feedback Report** 7 - 12

5. **General Data Protection Regulation (GDPR) and NECA's Information Governance Policy - update** 13 - 44

6. **Statement of Accounts 2017/18** 45 - 48

7. **External Auditors Report**

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

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|-----|---|----------------|
| 8.  | <b>Internal Audit Progress Report and Annual Report</b> | <b>49 - 60</b> |
| 9.  | <b>Annual Governance Statement 2017/18</b>              | <b>61 - 74</b> |
| 10. | <b>Strategic Risk and Opportunities Register</b>        | <b>75 - 90</b> |
| 11. | <b>Date and Time of Next Meeting</b>                    |                |

Tuesday 4 September 2018 at 10.00pm, Gateshead Civic Centre

Contact Officer: Christine Patterson Tel: 0191 211 6156 E-mail:  
christine.patterson@northeastca.gov.uk

**To: All Members**



## **Governance Committee**

3 April 2018

(2.10 - 3.15 pm)

Meeting held Sunderland City Council, Civic Centre. Burdon Road. Sunderland. SR2 7DN

### **Present:**

Independent Members: M Scrimshaw (Chair) and G Clark (Vice Chair)

Councillors: E Bell (Durham), M Talbot (Newcastle), M Swinburn (Northumberland), G Hobson (South Tyneside) and H Trueman (Sunderland).

### **BRIEFING SESSION - NORTH OF TYNE**

Prior to the commencement of the meeting P Judge delivered a briefing session outlining background information on the North of Tyne (NoT) devolution and implications for NECA and answered questions raised by the members.

The committee asked to be kept updated by email on matters relating to NoT/ NECA boundary changes.

### **35 APOLOGIES FOR ABSENCE**

Apologies for absence were received from S Gardner (Independent Person)

### **36 DECLARATIONS OF INTEREST**

None

### **37 MINUTES/NOTES OF PREVIOUS MEETINGS:**

#### **(a) 4 July 2017**

**RESOLVED** – That the Minutes of the meeting held on 4 July 2017 be approved as a correct record and be signed by the Chair.

#### **(b) 12 September 2017 - Inquorate Meeting**

**RESOLVED** – That the notes of the inquorate meeting held on 12 December 2017 be approved as a correct record and be signed by the Chair.

(c) **5 December 2017 - Inquorate Meeting**

**RESOLVED** – That the notes of the inquorate meeting held on 5 December 2017 be approved as a correct record and be signed by the Chair.

38 **APPOINTMENTS OF INDEPENDENTS / NON-COUNCIL MEMBERS**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which invited the committee to endorse the procedure and principles relating to the recruitment of independent members to NECA Committees; where the NECA Constitution required such appointments.

The Monitoring Officer introduced the report, highlighting that a standardised process would underpin good governance and provide clarification of expectations on all sides.

During discussion, the following points were made:

- Confirmation was provided that self-assessment exercises had been previously been undertaken.
- A member of the relevant committee should be a member of the selection panel and should Chair that panel unless there was a good reason why this should not happen.
- Clarification was given to the suggested periods of office. The External Auditor agreed to share charities information relating to periods of office with the Monitoring Officer.

**RESOLVED** – That the committee:

- (i) Endorsed the standard process to be followed for the recruitment and selection of independent members to NECA Committees, including the proposals in relation to committee self-assessment
- (ii) Agreed that a member of the relevant committee should be a member of the selection panel, and should Chair that panel unless in the opinion of the Monitoring Officer it would be improper for them to do so

39 **PROPOSALS FOR THE JUNE CONSTITUTIONAL REVIEW**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which discussed proposed changes to the NECA Constitution and invited the committee to comment upon the proposals.

The Monitoring Officer introduced the report, highlighting that the reasons for the changes; the next steps and the timetable for implementation.

During discussions, the following points were made:

- Changing the committee's title to Audit and Standards would ensure clarity around its role and remit.
- Confirmation was provided that:
  - If complaints were received relating to NECA then it was this committee's responsibility to deal with.

- The Governance Sub Committee would also be renamed to Audit and Standards Sub Committee.
- The standards rules applied to Independent Members, as well as Elected Members
- Reference was made to the importance of creating unanimity in moving forward. This was due to potential contentious issues to be discussed in the future. Therefore, setting a clear process and having a workable, robust constitution was essential.
- Confirmation was provided that if the changes were endorsed by the committee the amendments would be prepared and presented to the Leadership Board in June 2018 for approval.
- Reference was made to possible future implementation of communicating approval in writing on specific decisions rather than the member attending. A comment was raised that electronic voting should be considered.

**RESOLVED** – That the committee:

- (i) Endorsed the proposals for changes to the Constitution by the Leadership Board at its annual meeting in June 2018; noting the changes necessary would be dependent upon whether a Secretary of State’s Order had been made amending the boundaries of the Combined Authority by that date.
- (ii) Discussed and agreed the proposals set out at paragraph 2.4 to 2.5 in the report to reduce the quorums of both the Governance Committee and Overview and Scrutiny Committee to 50%.

#### 40 **NORTH OF TYNE GOVERNANCE UPDATE**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which provided the committee with an update on the recent consultation on North of Tyne proposals, including the creation of a North of Tyne Combined Authority following the amendment of the current North East Combined Authority (NECA) boundaries. In addition, the report discussed a draft Order received from the Secretary of State giving effect to the amendment of NECA boundaries, the creation of the North of Tyne Mayoral Combined Authority, the creation of Joint Transport governance arrangements and similar matters and comments upon the governance implications.

The Monitoring Officer introduced the report, highlighting the current position and the fact that the consent of the NECA was a statutory obligation and must be satisfied before the Secretary of State can make an order.

During discussions the following points were made:

- The committee noted that references to NECA and NoT in the report should be read as North East Combined Authority (NECA) and North of Tyne Mayoral Combined Authority (NTMCA), respectively.
- Concern was expressed about the executive body arrangements in Article 12. A request was made that the committee receive a paper on transport governance and the governance relationship with NEXUS.
- Clarification was provided about:

- The understanding of Article 10 (2) Joint Transport Committee and the possible creation of a subcommittee that would include members of the constituent councils who were not members of the Combined Authorities.
- The membership and quorum proposed for the Joint Transport Committee.
- The appointment of a proper officer for the Joint Transport Committee.

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

41 **ACCOUNTING POLICIES FOR 2017/18 ACCOUNTS AND CODE OF PRACTICE UPDATE**

Submitted: Report by the Finance Officer (previously circulated and a copy attached to official minutes), which updated members on the Authority's Accounting Policies to be applied in the preparation of the Statement of Accounts for 2017/18 and provided an update on changes to accounting and reporting standards and guidance which may have an impact on the Authority's accounts this year and in future years.

The Senior Accountant introduced the report asking the committee to note that there would be a faster close update of the NECA accounts for 2017/18.

The Chair asked that in future, if there was no change to the Accounting Policies then these documents should not be circulated with the report.

**RESOLVED** - That the committee reviewed the Accounting Policies presented and approved their use in the preparation of the 2017/18 Statement of Accounts.

42 **EXTERNAL AUDIT PROGRESS UPDATE - AUDIT STRATEGY MEMORANDUM**

Submitted: Report by External Auditor (previously circulated and a copy attached to official minutes) which presented the Audit Strategy Memorandum of the External Auditors to NECA, Mazars.

The External Auditor introduced the report, highlighting the audit plan in respect of the audit of NECA for the year ending 31 March 2018. In responding to a query raised, he confirmed that Mazars had in the past worked well alongside other External Auditors, so could not foresee any issues working with EY in the future. He clarified the statement in Appendix B – Forthcoming Accounting and Other Issues – '*potential lead to significant work being required in order to identify all leases which NECA were party to*', following the anticipated new leasing standard, which was to be adopted for 2019/20 financial year.

The committee noted that NECA had no leases at present as well as noting that a rebate had been received from the national auditing body of £3,610.

**RESOLVED** - That the committee received the report as attached at Appendix 1.

43 **DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

Submitted: Report by Audit, Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with information on the outcome of the annual review of the Authority's governance and internal control arrangements.

The Audit, Risk and Insurance Manager introduced the report, explaining that the review highlighted one area which required improvement around committee meetings being inquorate. This area for improvement would be disclosed within the 2017/18 Annual Governance Statement (AGS). A copy of the draft Annual Governance Statement was provided at Appendix 1. If there were amendments to be made to the Annual Governance Statement, these be circulated to the committee prior to sign off by the Head of Paid Service and Chair of the Combined Authority.

The Chief Finance Officer updated the committee on the discussions to put in arrangements to improve the management and oversight of the tunnels.

A brief discussion took place on the Combined Authority Risk Management Strategy and strategic risk register and the future arrangements once North of Tyne Mayoral Combined Authority was established. The committee noted that there would need to be separate registers created but some connectivity between the two.

In response to a request for further information on the decision making/governance arrangements for Transport for the North, the Managing Director (NEXUS) be invited to a future meeting to deliver ½ hr briefing session to be held immediately prior to the meeting.

**RESOLVED** – That the committee:

- (i) Agreed the draft 2017/18 Annual Governance Statement narrative and considered the evidence provided to support its production.
- (ii) Acknowledged the area requiring improvement as attached to the report at Appendix A.
- (iii) Acknowledged that the Statement would be subject to further review in July 2018, following the completion of the external audit of the accounts before it was signed by the Head of Paid Service and Chair of the Combined Authority.

44 **INTERNAL AUDIT PROGRESS REPORT 2017/18 AND AUDIT PLAN 2018/19**

Submitted: Report by Audit, Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with progress against the delivery of the 2017/18 internal audit plan; information on the implementation of audit recommendations: and approve the 2018/19 internal audit plan.

The Audit, Risk and Insurance Manager introduced the report, highlighting the progress with ensuring NECA was compliant with GDPR by 25 May 2018. On a point of clarification, he confirmed that 10 days allocated in the 2018-19 Audit Plan

against pedestrian and cycle tunnels would be backward looking but would include lessons learned from the project.

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

#### 45 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

Submitted: Report by Audit Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with an update of the Strategic Risks and Opportunities for the North East Combined Authority.

Audit, Risk and Insurance Manager introduced the report, highlighting the committee's role to fulfil an ongoing review and assurance in relation to governance and internal control issues. In responding to a query raised on whether a strategic risk on compliance with GDPR should be included in the register, he confirmed that at this point in time, this was not a risk. He offered to share with the committee, when it was available, the learning from the GDPR exercise which was being carried out to develop an information asset register.

**RESOLVED** – That the committee reviewed the outcome of the strategic risk review and noted the report.

#### 46 **DATE AND TIME OF MEETINGS 2018-19**

Monday 30 July 2018 at 10.00am at North Tyneside Council

Future meetings provisionally scheduled but to be confirmed by NECA Annual General Meeting in June 2018:

Tuesday 4 September 2018 at 10.00am

Tuesday 4 December 2018 at 10.00am

Tuesday 2 April 2018 at 10.00am



## **Audit and Standards Committee**

**Date:** 30 July 2018

**Subject:** Constitutional changes proposed to Leadership Board – Feedback Report

**Report of:** Monitoring Officer

### **Executive Summary**

The paper provides feedback to the Committee on the proposed changes to the NECA Constitution discussed by the Committee at its meeting on 3 April 2018 and decided by the Leadership Board on 19 June 2018.

### **Recommendations**

The Committee is invited to note the report.

## **Audit and Standards Committee**

### **1. Background Information**

- 1.1 In accordance with the NECA Constitution, the Monitoring Officer is required to keep it constantly under review with a formal review on an annual basis. The Leadership Board considered and agreed changes to the NECA Constitution at its Annual meeting in June 2018.
- 1.2 This paper provides feedback to the Committee on the decisions of the Leadership Board at this meeting.
- 1.3 This paper also provides an update on the Constitutional changes that will be required given that it is now anticipated that an order will be forthcoming changing the boundary of NECA and the removal of three constituent authorities, North of the Tyne.

### **2. Proposals made to the June Leadership Board meeting**

#### **Constitutional Changes proposed by the Committee**

- 2.1 The Committee proposed that its name be changed to the Audit and Standards Committee. The Leadership Board accepted this recommendation and changed the Committee's name with immediate effect.
- 2.2 The Committee agreed that it would be desirable to reduce the quora of both this Committee and the Overview and Scrutiny Committee. This issue has been examined and it has been confirmed that the quora of both committees are prescribed by the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 – Audit Committees by Article 14(7) and Overview and Scrutiny Committees by Article 3(2). Accordingly the quora could not be changed.
- 2.3 The Committee proposed that its remit be clarified to confirm that it may make dispensation decisions directly and not only by convening a sub-committee for the purpose. This recommendation was agreed and authority was given for the Constitution to be amended to reflect this change.
- 2.4 The Committee proposed that the Chair and Vice Chair of the Committee could be members of a sub-committee on the same basis as the independent person (not voting and not counting towards the quorum). This recommendation was agreed and authority was given for the Constitution to be amended to reflect this change.

## **Audit and Standards Committee**

### **Constitutional Changes arising out of changes in the Law and other matters arising since the last annual meeting**

2.5 At its last meeting the Committee noted various changes in the law and endorsed recommendations for changes or clarifications to the NECA Constitution as follows:

**Part 4.1, paragraphs 32 and 33 (Special Urgency and Urgent Decisions):** The Leadership Board accepted the Committee's recommendation to amend the Constitution to more clearly reflect the procedure prescribed by the Combined Authority's (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 and the proposal that Sections 32 and 33 are updated to make reference to the role of the Chair of the Overview and Scrutiny Committee (or in their absence the Vice-Chair) in addition to those already required to be notified or to agree to the urgency.

**Removal of certain types of decision from the Leadership Board's "unanimous decision list" to the "majority decision list":** This recommendation was made on the basis of Leading Counsel's advice it is necessary for certain matters to be removed from the list of matters requiring the unanimous decision of the Leadership Board (and which cannot be delegated and are expressly reserved by Part 1, Article 13.4 of the Constitution).

In accordance with the recommendation made points 9 to 14 of Section 3.1(A) of the Constitution have been moved into Section 3.1(B). Leadership Board has agreed these amendments to the Constitution.

**Removal of introductory words to Section 3.1 of the Constitution:** The Committee noted the confusion caused by the introductory words of Section 3.1 namely, "in the absence of specific delegations to other bodies referred to in the Constitution (including committees and sub-committees of the Leadership Board), all functions remain with the Leadership Board" and recommended that these words be deleted. The Leadership Board agreed this amendment and that the Constitution should be amended accordingly.

**Clearer scheme of delegation:** The Committee recognised the value of improved mechanisms for delegation together with assurance about how any scheme of delegation is functioning. The Leadership Board has accepted the benefits of an improved scheme and has noted that it can be presented at a forthcoming meeting.

2.6 Accordingly the Committee will note that each of its recommendations was accepted by the Leadership Board to the full extent it was legally permitted to do so.

## **Audit and Standards Committee**

### **3. Progress in relation to an order changing the NECA boundary**

- 3.1 Since the last meeting of the Committee, the Leadership Board has agreed in principle to the making of an order reducing the size of the NECA boundary and permitting the creation of a North of Tyne Mayoral Combined Authority in the expectation that this will realise the 'minded to' devolution deal negotiated between the North of Tyne Authorities and Government. The last meeting of the Committee received a report on the amendments that would be required in the event of a change in the NECA boundary to remove the three North of Tyne Authorities (Newcastle upon Tyne, North Tyneside and Northumberland). It is anticipated that the changes reported to the last meeting will be made and a new Constitution adopted at the first meeting of NECA following the making of any order. A report will be presented to the future meeting of the Committee once the new Constitution is in place.

### **4. Reasons for the Proposals**

- 4.1 The annual review of the Constitution is a requirement set out in the NECA Constitution and in the NECA Deed of Operation. This review was concluded and recommendations approved by the Leadership Board in June 2018.
- 4.2 Maintaining an up-to-date constitution and rules of procedure supports effective governance and thereby good decision making practices.

### **5. Next Steps and Timetable for Implementation**

- 5.1 In accordance with authority given to the Monitoring Officer at the Leadership Board's annual meeting in June, the revised Constitution has been prepared and it is anticipated that it will be approved and published during August 2018. It is noted that under the existing proposed Government timetable, the order amending the NECA boundary may begin its Parliamentary process before the summer recess, allowing the order to be made on resumption of Parliament on 4 September 2018. In such circumstances, the order will have an automatic effect on the Constitution (which must be read in accordance with any new order). A new Constitution expressly reflecting the requirements of any new order will be adopted at the first meeting of the Leadership Board after any order comes into effect.

### **6. Potential Impact on Objectives**

- 6.1 Maintaining good governance and effective decision making ultimately supports the achievement of objectives.

### **7. Financial and Other Resources Implications**

- 7.1 Updates to the Constitution can be done using existing resources without

## **Audit and Standards Committee**

material additional costs.

### **8. Legal Implications**

8.1 None as a result of this paper.

### **9. Key Risks**

9.1 None

### **10. Equality and Diversity**

10.1 None

### **11. Crime and Disorder**

11.1 None

### **12. Consultation/Engagement**

12.1 Chief Legal Officers of the constituent authorities, the NECA Policy and Scrutiny Officer and the NECA Statutory Officers have all been consulted. The Committees (or their Chairs) have been consulted in relation to matters affecting their committee. The Leadership Board has considered and approved matters set out in this report.

### **13. Other Impact of the Proposals**

13.1 None

### **14. Appendices**

14.1 None

### **15. Background Papers**

15.1 Previous Constitutional review papers.

### **16. Contact Officers**

16.1 Peter Judge  
Monitoring Officer  
[peter.judge@northeastca.gov.uk](mailto:peter.judge@northeastca.gov.uk)  
Tel: 0191 338 7455

**Audit and Standards Committee**

**17. Sign off**

- Head of Paid Service:
- Monitoring Officer:
- Chief Finance Officer:

**18. Glossary**

## **Audit & Standards Committee**

**Date:** 30 July 2018

**Subject:** General Data Protection Regulation (GDPR) and NECA's Information Governance Policy - update

**Report of:** Monitoring Officer

### **Executive Summary**

The purpose of this report is to provide an update to the Audit and Standards Committee of the changes that were implemented as part of the NECA's General Data Protection Regulation (GDPR) readiness project.

### **Recommendations**

The Audit and Standards Committee is recommended to note and comment on the report.

## **Audit & Standards Committee**

### **1. Background Information**

1.1 In March 2016, an Internal Audit Report regarding NECA's Information Governance was produced and presented to the Governance Committee on the 1<sup>st</sup> April 2016.

1.2 The Audit examined the Information Governance Policy, and other high level policies and procedures in place to manage information held and processed by the Combined Authority and ensure compliance with the Freedom of Information Act 2000 and the Data Protection Act 1998.

1.3 On the 5<sup>th</sup> December 2017, a report was presented to this Committee that outlined the changes required as part of the new General Data Protection Regulation (GDPR) 2018 and the approach required that a refresh of NECA's Information Governance Policy and any associated policies be undertaken.

1.4 Following the Committee meeting in December 2017, a Project Team progressed with the Action Plan key tasks (Appendix 1) to ensure compliance to the new Data Protection Laws. Appendix 1 also identifies the action outcomes.

1.5 The work undertaken by the Project Team ensured that the focus of the changes required was in line with legislation, including data processing and management systems. The changes also applied to the North East Local Enterprise Partnership (North East LEP) with NECA being its Accountable Body.

#### Staff Workshops

1.6 Staff workshops were held in January 2018 to roll out the changes required within the teams and to share information regarding the GDPR.

1.7 The workshops were positive in creating a good governance environment that promoted data protection laws at an individual staff level.

#### Data Audit

1.8 To ascertain the level of data that was held within teams, a data audit exercise was carried out in February 2018 to:

- i. Ascertain documents held by teams
- ii. Identify practices and procedures that were in place
- iii. Identify areas of practice that could be simplified
- iv. Support the development of Information Governance Policies



**Audit & Standards Committee**

The Audit exercise identified ‘good practice’ already in place by teams including:

1.9

- i. Securing folders / password protection of documents
- ii. Systems in place to ensure restricted information is kept confidential e.g. personnel records, HR information

Areas of development identified from the Audit and actioned were:

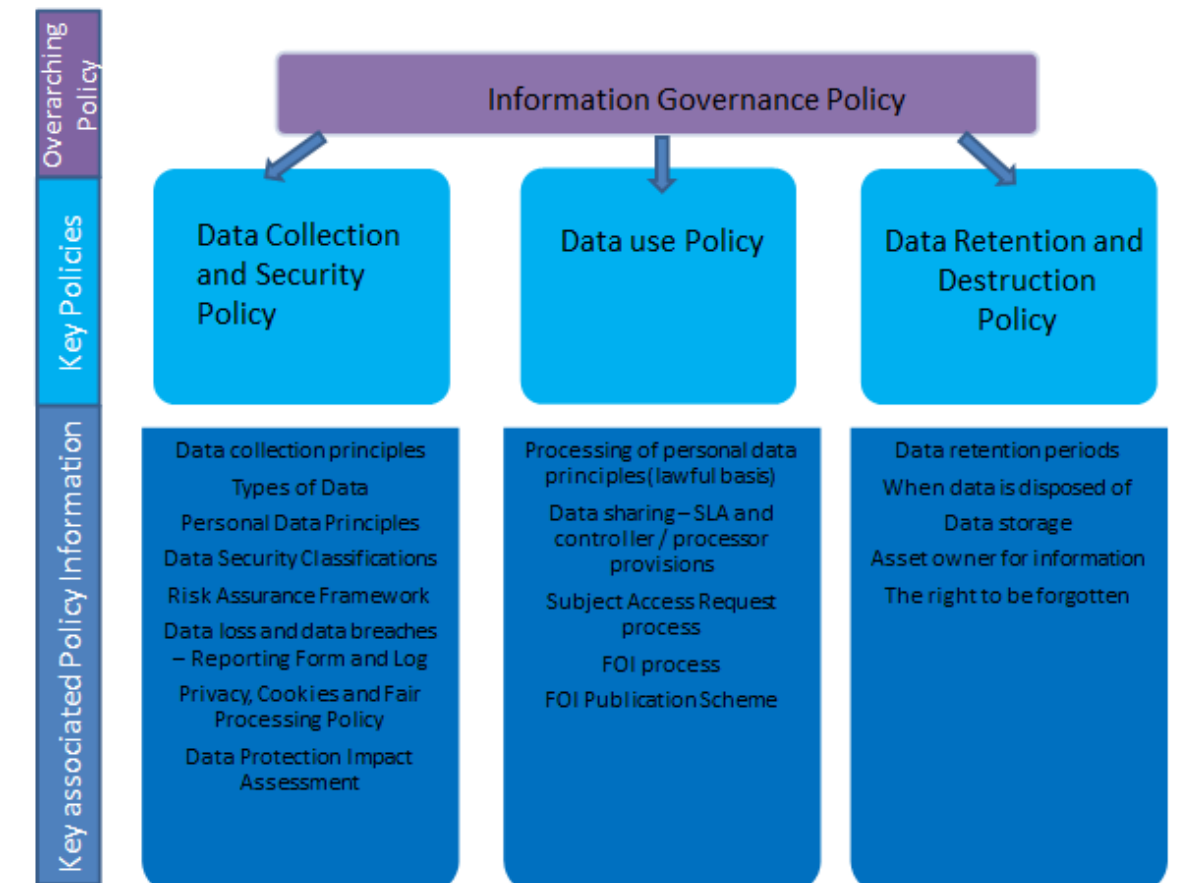
1.10

- i. Documents should only be retained on file/electronic folder for as long as required
- ii. Procedures around mailing lists to be updated to ensure that these were in line with GDPR requirements
- iii. Ensure that any ‘personal’ data was held securely, electronically and only accessible by those that required access

Information Governance Policy Framework

To communicate the requirements of the new Data Protection laws, a framework was created that would show the changes within a clear policy structure:

1.11



## **Audit & Standards Committee**

1.12 The framework above shows the Information Governance Policy (Appendix 2) as the overarching and key policy. This policy and the other policies noted below were adopted by the NECA Senior Management Team on the 18<sup>th</sup> May 2018 when they were circulated to staff:

- Data Collection and Security Policy
- Data Use Policy
- Data Retention and Destruction Policy

The below Policies were made available on the NECA website (as we are legally obliged to do so):

- Privacy, Cookies and Fair Processing Policy

Website link: <https://northeastca.gov.uk/privacy-cookies-policy/>

- Publications Scheme

Website link: <https://northeastca.gov.uk/publication-scheme/>

- Guidance on Requesting Information (FOI, SAR)

Website link: <http://northeastca.gov.uk/wp-content/uploads/2018/05/Guidance-on-Requesting-Information-v1-18.05.2018.pdf>

1.13 Workshops and specialist training for Data Champions and Statutory Officers was also designed and delivered. This was undertaken to support their understanding of the issues and how to apply the policies correctly.

## **2 Proposals**

2.1 This report provides an update to the Committee and reviews the proposals made at the December 2017 Committee outlining the requirements of GDPR and NECA.

## **3. Reasons for the Proposals**

3.1 NECA is required to comply with all Data Protection laws including the GDPR. The data protection framework brings new requirements and significantly increased fines for breaches.

3.2 The NECA Senior Management Team adopted a commitment to achieve meaningful compliance in adopting the new changes required; not only with the letter of the law but also its intentions and spirit.

## **Audit & Standards Committee**

### **4. Next Steps and Timetable for Implementation**

- 4.1 The Project Team's work for GDPR has subsequently come to an end following the Project Closure Report that was submitted to NECA SMT on the 26<sup>th</sup> June 2018. The Report highlighted the initial outcomes (as Appendix 1) had been achieved.
- 4.2 To support NECA's good governance arrangements, the GDPR process ensured that key roles within the organisation are now in place, who will act as point of contact to continue the monitoring, review and support of the governance framework in place:
- Peter Judge, Senior Information Risk Officer - Monitoring Officer
  - Philip Slater, Data Protection Officer
  - Peter Elliot, FOI Officer
- 4.3 Data Champions are also in place at a team level within NECA and the North East LEP. They will provide first level of support and advice to teams regarding data protection, before seeking assistance from the SIRO or Data Protection Officer when appropriate. The Data Champions provide an additional level of organisational assurance from a team level to ensure that the changes that have been developed continue to be adhered.

#### Monitoring and Organisational Assurance

- 4.4 Support arrangements are now in place as identified in 4.2 and 4.3 to continue good practice across the Combined Authority. These are intended to provide confidence and assurance within our governance systems.
- 4.5 Regular monitoring and review will take place by the Monitoring Officer (SIRO) and the Data Protection Officer to ensure that systems remain both effective and that they comply with data protection laws as they change or develop. Significant changes required will be communicated to the NECA SMT and the Audit and Standards Committee.
- 4.6 Organisational assurance will also be reviewed by NECA SMT within NECA's Risk Assurance Framework that was developed (Appendix 3). This focuses on how we protect our data through key governance areas that we have agreed to have in place.
- 4.7 It is positive to note that since the 25 May, there has been evidence that the newly developed policies and procedures have been followed. This has been recently evidenced when the data breach protocol was followed by employees who raised concerns immediately regarding an incident. The exercise was particularly helpful to follow the guidance, which was easy to understand and provided a test that the policies worked effectively.

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### **5. Potential Impact on Objectives**

- 5.1 The requirements of the new legislation support NECA to deliver its services and functions effectively in the potential processing and managing of personal and sensitive information.

### **6. Financial and Other Resources Implications**

- 6.1 An important change to note in the regulations is the increased fines for organisations that fail to comply with the GDPR or permit data breaches. Penalties for serious data breaches can reach an upper limit of €20million, and less serious breaches or an organisation's failure to keep records may incur fines of up to €10million.
- 6.2 NECA has a Public Liability Policy that provides an indemnity in respect of any claim for damages for, loss of autonomy over private information, distress and aggravated damages, following a data breach. However, there is no cover provided by NECA's policy in respect of any fines imposed by the Information Commissioner's Officer (ICO).

### **7. Legal Implications**

- 7.1 The GDPR increases the data protection obligations of the Combined Authority and provide a legal framework that it needs to comply with. The new Information Governance Policy Framework updates NECA's existing data protection procedures and ensures the necessary compliance needed.

### **8. Key Risks**

- 8.1 The financial and legal risk implications have been explored in this report and the changes implemented give positive assurance to ensure that appropriate control systems are in place.

### **9. Equality and Diversity**

- 9.1 There are no known implications.

### **10. Crime and Disorder**

- 10.1 There are no known implications.

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### **11. Consultation/Engagement**

- 11.1 Consultation and engagement has taken place to ensure that the new changes are adhered to. NECA Statutory Officers have been consulted with along with other officers across the authority who have engaged positively as part of the Project Team to ensure the outcomes of the action plan.

### **12. Other Impact of the Proposals**

- 12.1 There are no other known impacts on the proposals within this report.

### **13. Appendices**

- 13.1 Appendix 1 – Action Plan and Outcomes  
Appendix 2 – Information Governance Policy

### **14. Background Papers**

- 14.1 Report to the Governance Committee, 5 December 2017 *“General Data Protection Regulation (GDPR) and the impact on NECA’s Information Governance Policy”*

### **15. Contact Officers**

- 15.1 Peter Judge, Monitoring Officer, [peter.judge@northeastca.gov.uk](mailto:peter.judge@northeastca.gov.uk)  
Tel: 07342 069 371

### **16. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### **17. Glossary**

GDPR; General Data Protection Regulation  
ICO; Information Commissioner’s Officer  
NECA; North East Combined Authority  
North East LEP; North East Local Enterprise Partnership  
SMT; Senior Management Team

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NECA's Action Plan for the General Data Protection Regulation (GDPR)  
and NECA's Information Governance Policy

Area of implementation required	Information Commissioner's Officer (ICO) Guidance	Actions for NECA	Outcome	Date Achieved
<b>Awareness raising</b>	<ul style="list-style-type: none"> <li>• Ensure that decision makers and key people in the organisation are aware that the law is changing to the GDPR.</li> <li>• identify areas that could cause compliance problems under the GDPR</li> </ul>	<p>Briefing to NECA Statutory Officers and Staff Training</p> <p>Briefing to Governance Committee</p>	<p>Workshops undertaken with staff to ensure their understanding of GDPR</p> <p>Initial Briefing to Governance Committee on 5<sup>th</sup> December 2018 and update on the 30<sup>th</sup> July 2018</p>	<p>January 2018 <b>COMPLETED</b></p> <p>30<sup>th</sup> July 2018 <b>COMPLETED</b></p>
<b>Audit of data held</b>	<ul style="list-style-type: none"> <li>• Document personal data held, where it came from and who we share it with.</li> </ul>	<p>Develop a Data Audit Questionnaire and share with staff</p> <p>Collate and analyse information from Data Audit Questionnaire and map data sources</p>	<p>Data Audit developed and circulated to staff.</p> <p>Outcome report and actions developed and shared with SMT</p>	<p>February 2018 <b>COMPLETED</b></p> <p>March 2018. <b>COMPLETED</b></p>

<b>Consent</b>	<ul style="list-style-type: none"> <li>Review how you seek, obtain and record consent and whether you need to make any changes.</li> <li>GDPR is clear that controllers must be able to demonstrate that consent was given</li> </ul>	Incorporated as part of Data audit and questionnaire	<p>Consent system reviewed in line with mailing lists; those that sign up to request information from NECA or the North East LEP.</p> <p>Procedure developed.</p>	May 2018 <b>COMPLETED</b>
<b>Data Protection Officer</b>	<ul style="list-style-type: none"> <li>Designate a Data Protection Officer, or someone to take responsibility for data protection compliance and assess where this role will sit within the organisation's structure and governance arrangements.</li> </ul>	Data Protection Officer to be identified.	Philip Slater identified as the Data Protection Officer and teams informed.	January 2018 <b>COMPLETED</b>
<b>Communication privacy information</b>	<ul style="list-style-type: none"> <li>Review current privacy notices and put a plan in place for making any necessary changes in time for the GDPR implementation.</li> <li>Organisations will need to explain their legal basis for processing data, data retention periods and that</li> </ul>	<p>Develop a Privacy Notice that identifies:</p> <ul style="list-style-type: none"> <li>What information we use</li> <li>How we collect information</li> <li>Who we share information with</li> <li>How long we keep information</li> </ul> <p>Ensure a Privacy Notice is</p>	<p>Privacy, Cookies and Fair Processing Policy Developed and on the NECA website: <a href="https://northeastca.gov.uk/privacy-cookies-policy/">https://northeastca.gov.uk/privacy-cookies-policy/</a></p>	May 2018 <b>COMPLETED</b>



	individuals have a right to complain to the ICO if they think there is a problem with the way an organisation is handling their data.	clear on any electronic forms used to collect data		
<b>Data Protection by Design and Data Protection Impact Assessments</b>	<ul style="list-style-type: none"> <li>When processing is likely to cause high risk of harm to the individual the data controller needs to complete a Data Protection Impact Assessment</li> <li>When an Assessment indicates high risk data processing, there is a requirement for the organisation to consult with the ICO to seek its opinion as to whether the processing operation complies with the GDPR</li> </ul>	Develop a process and procedure for Privacy Impact Assessments.	Data Protection Privacy Impact Assessment Questionnaire developed and forms part of wider policies developed for NECA staff and shared.	May 2018 <b>COMPLETED</b>
<b>The rights of individuals</b>	<p>Procedures in place to ensure they cover all the rights individuals have, including:</p> <ul style="list-style-type: none"> <li>how you would delete personal data</li> <li>how data is electronically provided</li> </ul>	Process to be put in place and captured within Information Governance Policy that captures the rights of individuals and the provision and deletion of personal data.	<p>The Rights of individuals was captured in our Privacy, Cookies and Fair Processing Policy.</p> <p>This Policy provided our legal basis for collecting, processing and storing information.</p>	May 2018 <b>COMPLETED</b>

	<p>The main rights for individuals under the GDPR will be:</p> <ul style="list-style-type: none"> <li>• subject access,</li> <li>• to have inaccuracies corrected,</li> <li>• to have information erased,</li> <li>• to prevent direct marketing,</li> <li>• to prevent automated decision-making and profiling, and</li> <li>• data portability.</li> </ul>		<p>Information regarding requesting information from us is held on the NECA website, including how to request FOI and Subject Access Requests:</p> <p><a href="http://northeastca.gov.uk/wp-content/uploads/2018/05/Guidance-on-Requesting-Information-v1-18.05.2018.pdf">http://northeastca.gov.uk/wp-content/uploads/2018/05/Guidance-on-Requesting-Information-v1-18.05.2018.pdf</a></p>	
<p><b>Subject Access Requests (SAR)</b></p>	<ul style="list-style-type: none"> <li>• Update procedures and plan how you will handle requests within the new timescales and provide any additional information.</li> <li>• SAR to be dealt with in a month rather than current 40 days</li> </ul>	<p>Develop procedures regarding subject access requests.</p>	<p>Our Subject Access Request process is detailed on the NECA website as above link.</p>	<p>May 2018 <b>COMPLETED</b></p>

<b>Data breach procedure</b>	<ul style="list-style-type: none"> <li>• Have procedures in place to detect, report and investigate a personal data breach.</li> <li>• Not all breaches will have to be notified to the ICO – only ones where the individual is likely to suffer some form of damage, such as through identity theft or a confidentiality breach.</li> </ul>	<p>Develop a data breach and security policy that will incorporate procedures to detect, report and investigate.</p>	<p>A clear data breach / data loss procedure is now in place and forms part of the wider Information Governance Policy Framework.</p> <p>The Data Breach process has been shared with staff who are aware to report any concerns immediately to the SIRO.</p> <p>The SIRO will then discuss and review the Data Breach with the Data Protection Officer.</p> <p>Forms have also been adapted as part of the Policy:</p> <ol style="list-style-type: none"> <li>1. Data Breach Log Form</li> <li>2. Data Breach Spreadsheet</li> <li>3.</li> </ol>	<p>May 2018 <b>COMPLETED</b></p>
<b>Wider Data Protection Policies identified for NECA review</b>		<p>NECA to consider the wider policies that fall within Information Governance and refresh accordingly:</p> <ul style="list-style-type: none"> <li>• FOI guidance</li> <li>• Protective marking scheme</li> <li>• information Security breach Protocol response</li> </ul>	<p>Wider policies have been developed through the Information Governance Policy Framework as detailed in the report to the Audit and Standards Committee.</p>	<p>May 2018 <b>COMPLETED</b></p>

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**Policy title:** Information Governance Policy

**Policy author:** Peter Judge, Monitoring Officer  
Nicola Laverick, Policy and Scrutiny Officer

**Policy status:** Published

**Policy authorised on:** 18 May 2018

**Version number:** Version 1

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## Complete Policy Framework

Name	Type
<b>Information Governance Policy</b> <i>Content:</i> <i>Intro, Purpose, Aims, Scope</i> Information Governance Policy Framework Roles and Responsibilities Monitoring and Compliance Associated Policies	<b>Overarching Policy</b>
<b>Data Collection and Security Policy</b> <i>Content:</i> <i>Intro, Purpose, Aims, Scope</i> Information Governance Policy Framework Data Collection and Security Principles Types of Data We Collect Privacy, Cookies and Fair Processing Policy Data Protection Privacy Impact Assessment Questionnaire Security Classifications Risk Assurance Framework Data Loss and Data Breach Appendix 1 – Data Loss/Breach Action Reporting Form Appendix 2 – Data Protection Privacy Impact Assessment	Key Policy              Supporting Policy Supporting Policy
<b>Data Use Policy</b> <i>Content:</i> <i>Intro, Purpose, Aims, Scope</i> Information Governance Policy Framework Data Processing Activities Principles of Processing Data Data Sharing Protocol and Principles Retrieval and Access Publications (SAR's) and (FOI)	<b>Key Policy</b>
<b>Data Retention and Destruction</b> <i>Content:</i> <i>Intro, Purpose, Aims, Scope</i> Information Governance Policy Framework Operation of the Policy and Retention and Disposal Schedule Categories for Retention / Disposal Personal Data Roles and Responsibilities Appendix 1 – Retention and Destruction Schedule Appendix 2 – Information Exemptions Appendix 3 – Disposal Flowchart	Key Policy              Supporting Policy Supporting Policy Supporting Policy

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## 1. Introduction

This policy sets out the Combined Authority’s approach and commitments in relation to the collection, storage and disposing of all of its data and the systems of governance and responsibilities it uses to ensure this is done properly.

This is collectively what we call ‘Information Governance’. We strive for an approach of good information governance by careful design, implementation of, and adherence to our own guidance, the NECA Constitution and Budget and Policy Framework, together with ensuring compliance with information governance legislation.

## 2. Purpose

The purpose of this policy is to:

- i. Set out NECA’s highest level commitments to good information governance;
- ii. Describe the system that allows NECA to meet its Information Governance responsibilities through the use of a simple framework;
- iii. To ensure all employees<sup>1</sup> and other users<sup>2</sup> are aware of their individual responsibilities regarding Information Governance and the security of the Combined Authority’s information, and
- iv. Ensure the principles of Data Protection Laws apply to the Combined Authorities approach to an accountable and ‘good’ governance framework

## 3. Aims

The policy aims to provide confidence to employees and the public on the importance that the Combined Authority has a simple and understandable way of looking after its data, by ensuring that data is:

- i. Obtained fairly and lawfully
- ii. Recorded accurately and reliably
- iii. Held securely and appropriately
- iv. Used effectively and ethically, and
- v. Shared appropriately and lawfully

## 4. Policy Commitment

NECA is committed to the highest standards in relation to all aspects of information governance (the collection, storage, security, use, appropriate release and destruction in relation to the data that it holds).

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<sup>1</sup> Employees = North East Combined Authority Employees, employees seconded to the Combined Authority and employees from member Councils carrying out work on behalf of the Combined Authority

<sup>2</sup> Other users = elected members, contractors, consultants, external auditors and temporary employees.

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Three principles support this commitment:

- **Responsible:** A clear commitment to acting lawfully and properly at every stage;
- **Empowered:** By knowing what data we hold and why we hold it and by ensuring that every employee understands their responsibilities and is empowered to take action to meet our data responsibilities, we have the best opportunity to meet our commitments;
- **Clear:** We are clear about what data we collect and why we collect and use it and we provide this information to employees and the public to support our commitment. We are also clear with our suppliers and stakeholders about information governance matters.

As part of this commitment: We are clear about **what** information we hold. We know **why** we hold it. We assign responsibility so that we know **who** is responsible for that information. We know **where** it is held, we know **how** it is held (format and security). We know **when** it is held (how long we keep it and when it is destroyed).

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## 5. Scope

The Scope of the Policy applies to:

- i. Users of the Combined Authority’s information systems, including but not limited to employees of the Authority, elected members carrying out duties on behalf of the Authority, contractors, consultants, external auditors and temporary employees.
- ii. The Authority’s information whether stored on paper or in electronic format.
- iii. Information provided by member Authorities for use in carrying out the activities of the Combined Authority.
- iv. information transmitted to/shared with Member Councils, Partners and Contractors.
- v. The Authority’s data and all reports derived from such data.
- vi. Programs developed by the Authority’s employees or on behalf of the Authority, using the Authority’s equipment or personal computers used for home working by Authority’s employees.
- vii. Combined Authority owned computing devices and any devices such as PDAs (personal digital assistant), which are used to communicate with the Authority’s data network.
- viii. Communication lines, and all associated equipment or devices used
- ix. in the Authority’s premises or connected to the Authority’s resources that are capable of processing or storing the Authority’s information.
- x. Paper based and manual records, storage methods and manual data-processing systems which exist in the Combined Authority that are used to process or store information.

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- xi. Paper based and manual records, storage methods and manual data -processing systems which are used by Member Councils, Partners and Contractors that are used to process or store information provided/shared by the Combined Authority.

## 6. Working with others

Note: Assurances have been obtained from North East Combined Authority (NECA) member Councils that they have policies and procedures in place that comply with, and compliment, the NECA Information Governance Policy Statement and associated IT Security and IT Asset Management Policies.

Where information is shared and transmitted to Partners and Contractors working with NECA or member Councils on behalf of NECA, assurance/confirmation has to be obtained from them stating that they meet the information governance/data protection requirements covered in this and associated policies (including all new legal obligations and relevant Data Protection Laws.

## 7. Data Protection Laws

The EU's **General Data Protection Regulation (GDPR)** comes into effect from 25 May 2018 and supersedes the UK Data Protection Act.

Data previously held within the scope of the Data Protection Act continues to fall within the GDPR. There are, however, new elements and significant enhancements giving individual's greater control over how their personal data is used and placing greater emphasis on the documentation an organisation must hold to demonstrate accountability in terms of maintaining detailed records of process activity.

In addition, GDPR places responsibility on an organisation to demonstrate how they comply with the six key principles of the Regulations, in that data must be treated in a way that is:

- i. Lawful, fair and transparent;
- ii. Limited for its purpose;
- iii. Adequate and necessary;
- iv. Accurate;
- v. Not kept longer than needed; and ensures
- vi. Appropriate integrity and confidentiality.

GDPR expands the definition of personal data meaning any information relating to an identifiable person who can be directly or indirectly identified in particular by reference to an identifier. This includes on-line identifiers (which might be generated from cookies) and other personal data, for example economic or cultural information. Compliance with the

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General Data Protection Regulation will ensure that the processing is carried out fairly and lawfully.

The recent changes in the law underline the value and importance of someone’s personal data and reminds the organisation that all the information we hold about individuals and the businesses we engage with should be handled with respect and treated appropriately. The GDPR strengthens the requirement for accountability and reinforces our fundamental principle that all information we hold about others will be treated with respect and care.

## 8. Practical Standards

NECA will of course meet the standards set out in Data Protection laws and is committed to ensuring all its information is:

- i. processed lawfully, fairly and in a transparent manner in relation to individuals;
- ii. collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- iii. adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- iv. accurate and, where necessary, kept up to date;
- v. kept in a form which is appropriate and for example permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed;
- vi. processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures.

We have also seen this law change as an opportunity to review the way we approach our information. In addition to the legal standards we will ensure:

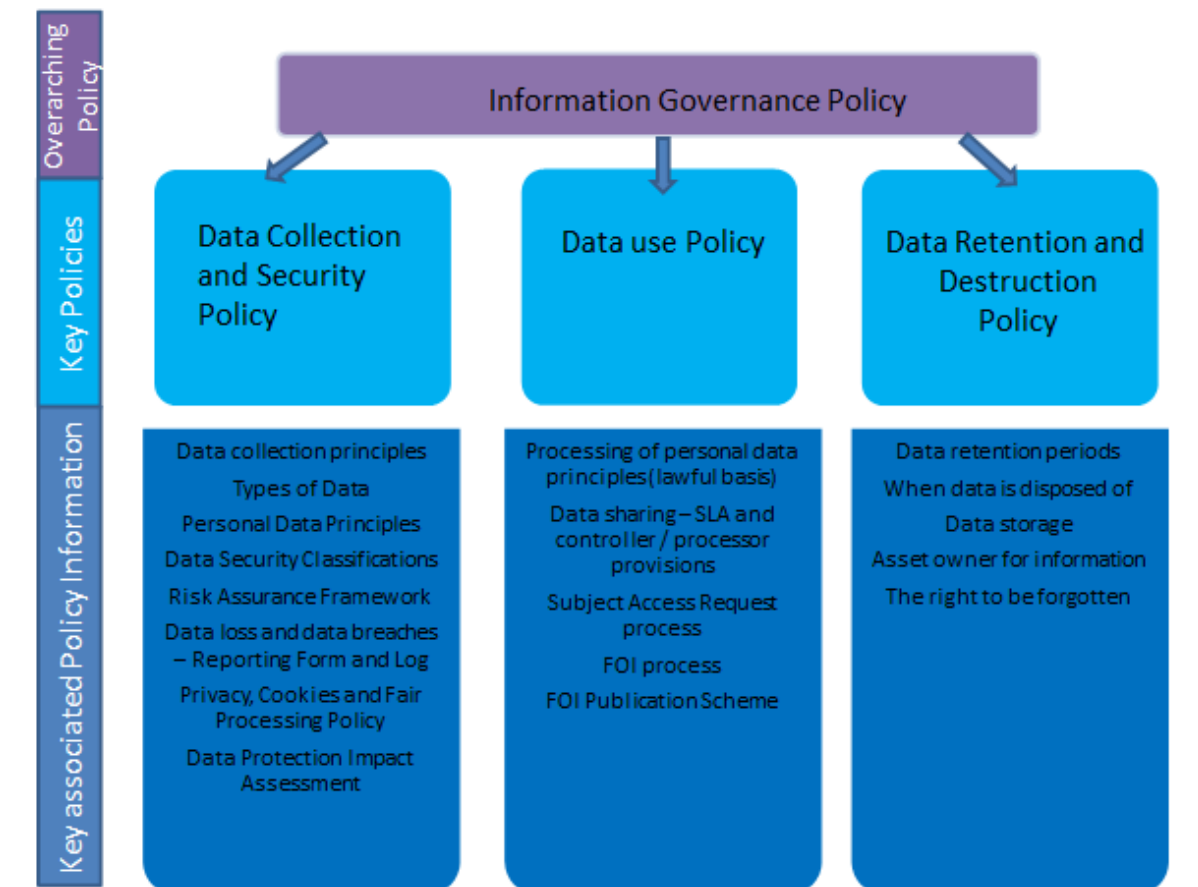
- i. We understand what data we hold and map how data travels around our organisation and between ourselves and our suppliers, and stakeholders and Partners.
- ii. Data will be held for the minimum period of time it is necessary to meet the needs of the business or for the purposes for which it was collected (whichever is shorter).
- iii. Careful consideration is given to how information is stored. Information stored will only contain personal information where it is necessary and, wherever possible, be anonymised.
- iv. Care is taken to ensure that the policy on data protection and security is also mindful of the organisation’s responsibilities towards publication and dissemination of public information.

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The above is in line with the organisation’s values and aim. In particular, it strengthens our accountability to others and reinforces that we will treat the data of others in a fair, open and transparent manner.

### 9. Information Governance Policy Framework

We have developed an Information Governance Policy Framework (as shown overleaf) in line with the Data Protection Laws and other legislation. This is supported by a set of Information Governance policies and related procedures to cover all aspects of Information Governance which are aligned with NECA’s Budget and Policy Framework and the overarching Information Governance Policy requirements.



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## 10. Key Roles and Responsibilities

### All Employees

- i. It is the responsibility of individual employees to:
  - o understand and adhere to information governance policies;
  - o take action if they see something that could be an information security risk. We need to help each other. If you see something happening which could result in data being lost please take action to stop it. Inform the SIRO if necessary.
  - o use the organisation's IT systems appropriately and adhere to **The Data Collection and Security Policy**.
  - o be aware of the General Data Protection Regulation 2018 and what it means to us.
  - o follow the policy and procedures for handling personal data.
  - o consult with the Information Champions or others listed above for advice and guidance when necessary.
- ii. All employees will be made aware of their obligations for information security through E-learning Modules and face-to-face training where required.
- iii. Each new employee will be made aware of their obligations for information security during their induction when starting work with the Combined Authority.
- iv. Training requirements are to be reviewed on a regular basis to take account of the needs of the individual, and to ensure that all employees are adequately trained.

### Senior Information Risk Owner (SIRO)

- i. The Senior Information Risk Officer is the Monitoring Officer who is ultimately accountable for assurance of information security at the Combined Authority.
- ii. Champions information security and information governance at Statutory Officers Meeting.
- iii. Owns the policies on information security and information governance.
- iv. Is the person identified by the Combined Authority to be the single point of contact for guidance and interpretation of the legislation and procedures covered in this Policy.
- v. Develops and maintains the corporate data protection policy and procedures.
- vi. Provides advice and guidance on the data protection policy and procedures.
- vii. Provides training in data protection issues.
- viii. Coordinates subject access requests in conjunction with service area leads.

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- ix. Coordinates requests under the Freedom of Information Act and the Environmental Regulations.
- x. Monitors the effectiveness of assurance mechanisms and performs reporting in relation to information governance.
- xi. Monitors and reviews the effectiveness of the policy and procedures.
- xii. Identifies and communicates any data protection issues around the organisation.
- xiii. Reports on compliance with the policy and procedures to Statutory Officers Group.
- xiv. Provides an annual statement of the security of information assets for the Annual Governance Statement.

### **Data Protection Officer (DPO)**

The Article 29 Working Party Guidelines (2016) on Data Protection Officers highlight that *'Data Protection Officers ('DPO's) will be at the heart of the new legal framework for many organisations'*.

The Data Protection Officer within NECA has a role that monitors, advises and supports compliance across the authority. The tasks of the DPO includes:

1. Monitoring compliance, DPOs may, in particular:
  - i. collect information to identify processing activities;
  - ii. analyse and check the compliance of processing activities; and
  - iii. inform, advise and issue recommendations to the controller or the processor
  
2. Support the controllers of the Authority regarding Data Protection Impact Assessments. The controller should seek the advice of the DPO, on the following issues, amongst others:
  - i. whether or not to carry out a DPIA;
  - ii. what methodology to follow when carrying out a DPIA;
  - iii. whether to carry out the DPIA in-house or whether to outsource it;
  - iv. what safeguards (including technical and organisational measures) to apply to mitigate any risks to the rights and interests of the data subjects;
  - v. whether or not the data protection impact assessment has been correctly carried out and whether its conclusions (whether or not to go ahead with the processing and what safeguards to apply).
  
3. The requirements of the role as seen in Data Protection Law guidance states that:

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- i. That the controller and the processor shall ensure that the DPO be 'involved, properly and in a timely manner, in all issues which relate to the protection of personal data'.
- ii. The DPO be seen as a discussion partner within the organisation and that he or she is part of the relevant working groups dealing with data processing activities within the organisation.
- iii. The controller or processor remains responsible for compliance with data protection law and must be able to demonstrate compliance if the controller or processor makes decisions that are incompatible with the DPO's advice, the DPO should be given the possibility to make his or her dissenting opinion clear to those making the decisions.

Article 38(6) allows DPOs to 'fulfil other tasks and duties'. It requires, however, that the organisation ensure that 'any such tasks and duties do not result in a conflict of interests'.

### **Data Champions (DC)**

Data Champions are specially trained people within each of the key functions of the organisation who are the first point of contact with employees with questions about data protection and related issues. The Data Champions will also be the first point of contact for the Senior Information Risk Officer, the Data Protection Officer and Senior Management in relation to the development of new policies, or changes in the law.

### **Information Asset Owners (IAO)**

The Information Asset Owners are the key employees responsible for the organisation's care and retention of particular types of data.

Information asset owners are responsible for the operational management and protection of data and they are supported and accountable through those line management structures. All employees, of course, hold information securely and take care to ensure information is held appropriately and securely.

They are the decision maker about whether information can be collected, stored, shared, published or destroyed. They should be aware of why the information is held by the organisation, how long it should be held and the nature of the information – so that it can held with appropriate levels of security and, when destroyed, disposed of with similar levels of security.

Information asset owners are assigned to each type of data asset that the Combined Authority holds. The assigned owner is identified in the NECA Data Retention Policy. Information asset owners receive additional training to ensure they understand their role. It is the Information asset owners responsibility to hold (and as appropriate keep updated and publish). One of the key advantages is that no other employee is required to hold the information other than the Information asset owner. So, if you are not the Information asset

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owner you are always free to delete any copy of the data because you can be confident that the organisation still holds it.

## 11. Monitoring and Compliance

Compliance with the policies and procedures will be monitored through the Statutory Officers Group. A set of performance indicators has been developed to support this process (and these discussed in more detail in the **Data Collection and Security Policy**). In addition, assurance is provided by independent reviews by both internal and external audit on a periodic basis.

Breaches of information security controls will be reported to and investigated by the Senior Information Risk Officer in accordance with the procedure set out in the Data Protection and Security Policy (Data Loss and Breach protocol).

The NECA Monitoring Officer is responsible for the monitoring, revision and updating of this document on an annual basis or sooner if need arises.

### *Mitigating and Security Risk*

We recognise that the mitigation of risks is central to ensure we have the appropriate methods in place to manage security risks. Our Data Collection and Security Policy, explores these in more detail.

We understand that not all information has the same value or importance and therefore information collected or held by the Combined Authority requires different levels of protection. Information asset classification and data management are critical to ensure that the Authority’s information assets have a level of protection corresponding to the sensitivity and value of the information asset. It is therefore vital that all employees and Partners are aware of the importance of our data.

Failure to apply the appropriate controls could result in the alteration, theft, destruction or loss of ability to process data held by the Combined Authority. In addition, some data is of a confidential or sensitive nature. Should this data become compromised then the Combined Authority could face legal action for failing to adequately protect it under the General Data Protection Regulation 2018.

NECA could be fined heavily under Data Protection Laws if it fails to provide adequate IT security to protect personal data. However, of even more importance to the organisation is the reputational damage that data loss will cause and the resulting loss in confidence by our stakeholders and Partners.

Failure to adhere to security standards could result in the alteration, theft, destruction or loss of ability to process data held by the Combined Authority.

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In addition, some data is of a confidential or sensitive nature. Should this data become compromised then the Combined Authority could face legal action for failing to adequately protect it under the General Data protection Regulation 2018.

Loss or damage of important business assets such as customer contact databases could also result in incorrect business decisions, and the perpetration of fraud with significant financial implications for the Combined Authority.

Compliance with this policy and related procedures will be monitored by the Statutory Officers Group.

Any deliberate breach of this policy or the General Data Protection Regulation 2018 will be seen as misconduct and may be subject to action under the disciplinary procedure.

## 12. Associated Policies

As defined in the Information Governance Policy Framework we have developed key policies that align with this Information Governance Policy.

Please refer to the individual Policies as outlined below for further information:

Policy	Description
Data Collection and Security Policy	How NECA collects and protects its data
Data Use Policy	How NECA uses its data
Data Retention and Destruction Policy	How NECA retains its data and disposes
FOI Publication Scheme	How NECA makes information available to the public

## 13. Further Information:

For further information please contact:

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Peter Elliott  
FOI Officer  
[freedomofinformation@northeastca.gov.uk](mailto:freedomofinformation@northeastca.gov.uk)

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**Supporting Legislation and Standards:**

**Legislation:**

Local Government Act 1972 (Section 224)  
Public Records Act 1958  
Freedom of Information Act 2000 (Specifically the Code of Practice on the Management of Records – issued under Section 46)  
The Privacy and Electronic Communications Regulations 2003  
The Environmental Information Regulations 2004  
General Data Protection Regulation 2018

**Standards:**

ISO 15489 Standard on Best Practice in Records Management  
ISO 7799 Standard on Information Security Management  
Retention Guidelines for Local Authorities - Records Management Society of Great Britain  
BSI BIP008 Code of Practice for Legal Admissibility and Evidential Weight of Information stored electronically  
BSI BIP0010 Code of Practice for Good Practice for Information Management

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## Risk Assurance Framework

NECA is accountable for all of the data it collects, uses and destroys through its Risk Assurance Framework. The Framework shown below focuses on how we protect our data through key governance areas that we have agreed to have in place. Each key area identifies the measures of information as to how we will achieve this.

Key Area <i>(Key Governance area)</i>	Measure of information <i>(How we achieve or measure this)</i>	Achieved and in place?	Monitor and Review <i>(Review period)</i>
<p><b><u>Policies and Procedures</u></b></p> <p>NECA to have the appropriate Policies and Procedures in place that apply relevant laws, including applicable Data Protection Laws</p>	<p>Information Governance Policy</p> <p>Data Collection and Security Policy</p> <p>Data Use Policy</p> <p>Data Retention and Destruction Policy</p> <p>Privacy Cookies and Fair Processing Policy</p> <p>Data loss and breach process</p> <p>FOI Policy and Publication Scheme in place</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>Policies to be reviewed as appropriate by the NECA Monitoring Officer and NECA SMT.</p>

Key Area <i>(Key Governance area)</i>	Measure of information <i>(How we achieve or measure this)</i>	Forecast <i>(within 1 year)</i>	Monitor and Review <i>(Review period)</i>
<p><b><u>Data Collection and Security</u></b></p> <p>The data we collect should always be for a specific purpose and comply with the relevant Data Protection Laws. It should also be collected fair and lawfully.</p> <p>NECA is requires to have appropriate steps in place to ensure that the collection of information is held in accordance with key data protection laws.</p> <p>This area will focus on measures regarding the collection of data and regular monitoring and review will therefore need to be in place.</p>	<p>Measure 1: Complaints about the method of collection</p> <p>Measure 2: The levels of data breach/loss reported</p> <p>Measure 3: The level of personal data and information loss</p> <p>Measure 4: Incidents requiring reporting to ICO's office</p>	<p>2-3 reported</p> <p>3-5 reported</p> <p>3-5 reported</p> <p>1-2 reported</p>	<p>Regular review to take place by the SIRO and DPO as appropriate for all measures identified.</p>

Key Area <i>(Key Governance area)</i>	Measure of information <i>(How we achieve or measure this)</i>	Forecast <i>(within 1 year)</i>	Monitor and Review <i>(Review period)</i>
<p><b><u>Data use</u></b></p> <p>The data we use requires us to have appropriate steps in place to manage requests for data, for example, SARs, FOI requests and separately ensure that we avoid errors regarding the data we use.</p>	<p>Measure 1: Compliance of SAR within timescale</p> <p>Measure 2: The level of the amount of SARs received (note SAR will be free from 25 May 2018)</p> <p>Measure 3: Compliance of FOI within timescale</p> <p>Measure 4: Complaints about publication errors</p>	<p>100%</p> <p>2 - 4</p> <p>100%</p> <p>2 - 4</p>	<p>Regular review to take place by the SIRO and DPO as appropriate for all measures identified.</p>

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## **Audit and Standards Committee**

**Date:** 30 July 2018

**Subject:** Statement of Accounts 2017/18

**Report of:** Interim Chief Finance Officer

### **Executive Summary**

The purpose of this report is to present the 2017/18 accounts for review by Audit and Standards Committee. The 2017/18 audit programme is nearing completion and Mazars, the external auditor, is expected to issue their final report and opinion before the end of July. This year the preparation and audit of the Final Accounts has been brought forward by two months. This has compressed the time available to complete the work and to circulate the papers to both Audit and Standards Committee and to the NECA Leadership Board, which meets on 31 July 2018 to approve the accounts.

The Narrative Report and Accounts will be circulated to the Audit and Standards Committee in advance of the meeting in a supplemental report.

The NECA Leadership Board is meeting on 31<sup>st</sup> July and will receive the 2017/18 accounts for approval at their meeting, taking into account any comments raised by the Audit and Standards Committee.

### **Recommendations**

Audit and Standards Committee will be asked to review and comment on the Statement of Accounts for 2017/18 in advance of the Leadership Board.

## **Audit and Standards Committee**

### **1. Background Information**

- 1.1 The draft Statement of Accounts was completed and signed off by the Interim Chief Finance Officer on 31 May 2018, in accordance with the statutory deadline.
- 1.2 The Statement of Accounts has been subject to a period of public inspection and external audit and the Statement of Accounts will be presented for review by Audit and Standards Committee. No issues were raised by the public following the period of public inspection. At the time of circulating this report the external audit work was nearing completion but had not been finalised. It is intended that the final Audit Completion Report for the year ending 31 March 2018 from Mazars be circulated for the meeting together with information about any amendments to the accounts that I may propose, taking into account the results of the external auditor report.
- 1.3 Feedback and recommendations from Audit and Standards Committee will be reported to the NECA Leadership Board meeting on 31<sup>st</sup> July.
- 1.4 The Statement of Accounts must be signed off by the Chair of the Leadership Board and the Chief Finance Officer on behalf of the Authority and published online by 31 July 2018.

### **2 Proposals**

#### **2.1 External Auditor's Opinion**

- 2.1.1 The report of the external auditor, which will be circulated with a supplemental report, will set out the work that is underway and needs to be completed before a final opinion can be issued. Based on the discussions with Mazars to date it is expected that they will issue an unqualified audit opinion on the statement of accounts, and an unqualified value for money opinion that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- 2.1.2 The final external opinion will be provided by Mazars for the meeting, together with any further adjustments that may be recommended to address the results of the external auditor's final report.

#### **2.2 Adjustments to the financial statements**

- 2.2.1 A note on the adjustments to the accounts, which will be set out in the external auditor's report will be circulated with the accounts. These are changes proposed by the Chief Finance Officer which also address matters discussed as part of the external audit. The changes are not expected to be material in scale and nature and do not impact upon the NECA usable general reserves.



## **Audit and Standards Committee**

### **2.3 Arrangements to secure economy, efficiency and effectiveness in the use of resources**

2.3.1 As part of the audit of the Authority's accounts, the External Auditor is required to assess the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, commonly referred to as the Value for Money (VFM) assessment.

### **3. Reasons for the Proposals**

3.1 Although it is the responsibility of the Leadership Board to approve the Statement of Accounts, it is within the terms of reference of the Audit and Standards Committee to 'review key information relating to NECA's Statement of Accounts' and to 'review the external auditor's opinion and reports on the statement of accounts'.

### **4. Next Steps and Timetable for Implementation**

4.1 The Statement of Accounts and the Annual Governance Statement will be presented to the Leadership Board on 31 July, and the views of Audit and Standards Committee will be reported to this meeting for the Leadership Board to take into consideration. The Statement of Accounts must be signed by the Chair of the Leadership Board and the Chief Finance Officer by 31 July 2018, and be published online.

### **5. Potential Impact on Objectives**

5.1 There are no direct impacts on objectives as a result of this report. Sound financial stewardship improves the ability of the Authority to meet all of its objectives.

### **6. Financial and Other Resources Implications**

6.1 The financial implications will be detailed in the supplemental report.

### **7. Legal Implications**

7.1 There are no legal implications directly arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

## **Audit and Standards Committee**

### **8. Key Risks**

- 8.1 There are no risk management implications directly arising from the recommendations in this report.

### **9. Equality and Diversity**

- 9.1 There are no equality and diversity implications arising from the recommendations in this report.

### **10. Crime and Disorder**

- 10.1 There are no crime and disorder implications arising from the recommendations in this report.

### **11. Consultation/Engagement**

- 11.1 The draft accounts have been subject to a period of public inspection from June 2018 to 2018 with no enquiries were made by members of the public and no issues have been raised.

### **12. Other Impact of the Proposals**

- 12.1 There are no other impacts arising from the recommendations in this report.

### **13. Appendices**

### **14. Background Papers**

- 14.1 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom

### **15. Contact Officers**

- 15.1 Paul Woods, Interim Chief Finance Officer, [paul.woods@northeastca.gov.uk](mailto:paul.woods@northeastca.gov.uk), Tel: 07446936840

Katherine Laing, Principal Accountant, [Katherine.laing@northeastca.gov.uk](mailto:Katherine.laing@northeastca.gov.uk) Tel: 0191 277 7518

### **16. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓



## **Audit and Standards Committee**

**Date:** 30 July 2018

**Subject:** Internal Audit Progress Report and Internal Audit Annual Report 2017/18

**Report Of:** Audit, Risk and Insurance Service Manager

### **Executive Summary**

The purpose of this report is to provide Members with:

- A summary of the outcomes from the delivery of the 2017/18 internal audit plan
- Information on the implementation of audit recommendations
- An opinion on the effectiveness of NECA's control environment during 2017/18 as required by the Public Sector Internal Audit Standard (PSIAS) 2013.
- Progress against the delivery of the 2017/18 internal audit plan

The Audit, Risk and Insurance Service Manager's Opinion on the overall adequacy and effectiveness of NECA's governance, risk and control framework during 2017/18 was that it was effective and provided a substantial level of assurance.

### **Recommendations**

It is recommended that the Committee:

- Note the internal audit activity undertaken during 2017/18
- Consider the annual opinion of the Audit, Risk and Insurance Service Manager on NECA's control environment in 2017/18

## Audit and Standards Committee

### 1 Background Information

#### 2017/18 Audit Plan

- 1.1 Set out below are the Internal Audit reports which have been issued and reported to the Audit and Standards Committee (formerly Governance Committee) during the year. The above opinion is based on evidence from this internal audit work.

<b>Audit</b>	<b>Outcome/Level of Assurance</b>	<b>Committee Reported To</b>
Procurement	Moderate	December 2017
Human Resources	Substantial	July 2018
Treasury Management	Substantial	July 2018
Information Governance (consultancy)	N/a	N/a
LGF Monitoring Returns	N/a	In Progress
LEP Loans	N/a	In Progress

- 1.2 Internal Audit's performance in completing audit work in the 2017/18 Plan has been reported to the Committee throughout the year. Definitions for levels of assurance in reports are included in Appendix 1. Details of the two audits completed since the last committee meeting (Human Resources and Treasury Management) are held at Appendix 2. Time allocated to Information Governance has been used during 2017/18 to support NECA's project to prepare for General Data Protection Regulations.
- 1.3 The two outstanding audits are currently in progress and will be reported to the next meeting of the Audit and Standards Committee.

#### Implementation of Outstanding Recommendations

- 1.4 Management is responsible for implementing all audit recommendations. Internal Audit will follow up all high, medium and value for money recommendations to verify implementation. This provides assurance that those recommendations which are both fundamental and important to the Authority's system of control are addressed. The current position as regards the 2 outstanding recommendations (detailed below) is that they will not be implemented until there is more certainty on NECA's governance arrangements.

## Audit and Standards Committee

	Audit and Recommendation	Lead Officer/ Implementation due date	Progress update
<b>1</b>	<b>Major Projects</b>		
1.1	The protocols referred to in the Constitution for the discharge of the transport, and economic development and regeneration functions should be developed and approved with the appropriate bodies. A timescale for developing and agreeing the protocols should be agreed and progress monitored against it. (medium)	Head of Paid Service  Original date 1 April 2016  Revised date  Work will commence to develop these protocols when there is greater certainty around the structure and future governance of NECA	.
<b>2</b>	<b>Procurement</b>		
	The Chief Finance Officer should <ul style="list-style-type: none"> <li>Review the different procurement policies operated by the constituent authorities.</li> <li>Determine which policy is most acceptable to the NECA.</li> <li>Revise the Constitution to reflect the agreed approach and thresholds.</li> <li>Develop an appropriate reporting process to ensure that all procurement activity undertaken by the NECA is consolidated and subject to appropriate monitoring.</li> </ul>	Chief Finance Officer  Original date 31 May 2018  Revised date 30 September 2018	The Monitoring Officer has drafted a new scheme of delegation which addresses the issue of procurement thresholds.  Once there is greater certainty around the structure and future governance of NECA a paper will be put forwarded outlining proposals in this area for approval by the Leadership Board.

## Audit and Standards Committee

- 1.6 The current position as regards outstanding recommendations raised from 2015/16 to 2017/18 is detailed below:

	2015/16	2016/17	2017/18
Recommendations issued	10	6	7
Recommendations fully implemented	9 (90%)	6 (100%)	2 (29%)
Recommendations not yet due for implementation	0 (0%)	0 (0%)	4 (57%)
<b>Recommendations not fully implemented and the target date for implementation has been exceeded</b>	<b>1 (10%)</b>	<b>0 (0%)</b>	<b>1 (14%)</b>

### 2017/18 Overall Opinion of the Chief Audit Executive

- 1.7 This report meets the requirements of Public Sector Internal Audit Standards 2013 to produce an annual report, which are as follows:-

“The Chief Audit Executive (Audit, Risk and Insurance Service Manager) must deliver an annual internal audit opinion and a report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.”

- 1.8 The Audit, Risk and Insurance Service Manager’s Opinion on the overall adequacy and effectiveness of NECA’s governance, risk and control framework during 2017/18 was that it was effective and provided a substantial level of assurance. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance.

### Assessment of the Effectiveness of Internal Audit

- 1.9 To comply with the Public Sector Internal Audit Standards (PSIAS), authorities need to undertake an annual review of the effectiveness of Internal Audit and the outcomes of this review should be reported to an appropriate Committee of the Authority, such as the Audit and Standards Committee, and feed into

## **Audit and Standards Committee**

the assurance to support the Annual Governance Statement. They must also be externally assessed against the Standard at least once in a 5 year period.

- 1.10 The audits were delivered by Newcastle City Council in 2017/18. During 2015/16 Newcastle's audit service was externally assessed against the PSIAS (this is required once every 5 years) via a peer review and this concluded that:

“Newcastle City Council's Internal Audit Service is substantially compliant with the requirements of the Public Sector Internal Audit Standards, and the accompanying CIPFA Local Government Application Note. There are two discrete areas, both of which were introduced for the first time by the Standards, in which some additional actions would secure full compliance.

The external assessment has identified no areas of concern regarding the delivery of the internal audit function, or the ability of the Chief Audit Executive (Audit, Risk and Insurance Service Manager) to form an opinion based on an objective assessment of the Council's framework of governance, risk management and control.”

- 1.11 The recommendations made at the 2015/16 assessment have been implemented and there have been no major changes in internal audit's operating model.

## **2 Proposals**

- 2.1 The Audit and Standards Committee are asked to note the internal audit activity during 2017/18 and consider the annual opinion of the Audit, Risk and Insurance Service Manager on NECA's control environment in 2017/18.

## **3 Reasons for the Proposals**

- 3.1 Audit and Standards Committee continue to fulfil an ongoing review, challenge and assurance role in relation to governance and internal control issues.

## **4 Next Steps and Timetable for Implementation**

- 4.1 The 2017/18 audit work and opinion feeds into the Annual Governance Statement for 2017/18 which is elsewhere on this agenda.

## **5 Potential Impact on Objectives**

- 5.1 No direct impact on objectives.

## **Audit and Standards Committee**

### **6 Finance and Other Resources Implications**

- 6.1 Internal Audit is provided principally by Newcastle City Council and an SLA has been developed to cover this as well as risk management and preparation of the Annual Governance Statement.

### **7 Legal Implications**

- 7.1 No direct legal implications arising specifically from the report.

### **8 Key Risks**

- 8.1 A risk assessment has taken place to identify key areas for inclusion within the Internal Audit Annual Plan. Members assess the plan to determine if key risks are covered by the planning process.

### **9 Equality and Diversity**

- 9.1 There are no equalities and diversity implications directly arising from this report.

### **10 Crime and Disorder**

- 10.1 There are no crime and disorder implications directly arising from this report.

### **11 Consultation/ Engagement**

- 11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and Chair of the Audit and Standards Committee have consulted on the internal audit activity.

### **12 Other Impact of the Proposals**

- 12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

### **13 Appendices**

- 13.1 Appendix 1 - Definitions  
Appendix 2 – Audits completed since April 2018

### **14 Background Papers**

- 14.1 Final Internal Audit Reports



## **Audit and Standards Committee**

### **15 Contact Officers**

- 15.1 Philip Slater, Audit, Risk and Insurance Service Manager  
E mail: [philip.slater@newcastle.gov.uk](mailto:philip.slater@newcastle.gov.uk)  
Tel: 0191 2116511

### **16 Sign off**

- Head of Paid Service
- Monitoring Officer
- Chief Finance Officer

## **Audit and Standards Committee**

### **Appendix 1 - Definitions**

#### **Overall Opinion**

##### **Full Assurance**

There is a highly effective system of internal control in place designed to achieve the Authority's objectives with no issues being identified.

##### **Substantial Assurance**

There is an effective system of internal control in place designed to achieve the Authority's objectives with only minor issues being identified which require improvement.

##### **Moderate Assurance**

There is a sound system of internal control in place with some weaknesses being present which may put some of the Authority's objectives at risk. Issues require management attention.

##### **Limited Assurance**

The system of internal control in place has some major weaknesses which may put the achievement of the Authority's objectives at risk. Issues therefore require prompt management attention.

##### **No Assurance**

There are significant weaknesses in the system of control which could result in failure to achieve the Authority's objectives. Immediate management action is therefore required.

#### **Findings and Recommendations**

##### **High**

A fundamental control weakness which could have a significant impact on the achievement of the Authority's objectives and reputation.

##### **Medium**

A control weakness which could have a major impact on the achievement of the Authority's objectives and reputation.

##### **Low**

An issue which if addressed would bring some improvement to the effectiveness of the control system.

## Audit and Standards Committee Appendix 2 – Completed Audits

Audit	Assessment	Recommendations			
		High	Medium	Low	VFM
Treasury Management	Substantial	-	2	1	-
<b>Audit objectives and scope</b>					
<p>The overall objective of the audit was to assess whether significant risks in relation to treasury management are adequately and effectively controlled. This was done through review of the following objectives:</p> <ul style="list-style-type: none"> <li>• NECA has appropriate governance arrangements in place for scrutinising and challenging treasury management activity and has appropriately delegated responsibility for the execution and administration of treasury management decisions.</li> <li>• NECA can identify daily cash balances which have been managed on their behalf and there is an agreed method for agreeing interest receivable / chargeable.</li> <li>• The investment and borrowing portfolio for NECA can be clearly identified and new investments or borrowing is undertaken in line with procedures, appropriately authorised and accounted for completely and accurately.</li> <li>• Procedures are in place to achieve value for money and identify efficiency.</li> </ul>					
<b>Internal Audit work undertaken was as follows:</b>					
<ul style="list-style-type: none"> <li>• Discussions with the Principal Accountant, NECA and Treasury Management officers at Newcastle City Council to ascertain the nature of the system and identify the controls operated by management.</li> <li>• Evaluation of current systems and controls through review and testing of the following: <ul style="list-style-type: none"> <li>○ Treasury Management strategy and its mid-year review.</li> <li>○ SLA with Newcastle City Council (NCC) covering the Treasury Management function.</li> <li>○ Arrangements for calculating interest payable / receivable on revenue balances with NCC.</li> <li>○ Arrangements for identifying NECA balances held by NCC and the subsequent cash settlements made.</li> <li>○ Monitoring records used to identify the balance of loans and investments held to ensure these contain accurate information.</li> </ul> </li> </ul>					
<b>Assurances</b>		<b>Control weaknesses impacting on assurance and recommendations</b>			
<ul style="list-style-type: none"> <li>• Financial Regulations cover Treasury Management arrangements.</li> <li>• The 2017/18 Treasury Management Strategy was approved by Leadership Board and was subject to a mid-year review.</li> <li>• Daily cash balances can be identified and interest payable on balances held</li> </ul>		<p>1. The Finance SLA between Newcastle City Council and NECA lacks significant detail of how the Treasury Management service will be delivered. (Medium)</p> <p><b>Recommendation</b> The Chief Finance Officer and the Principal Accountant should ensure a comprehensive Finance SLA is produced which ensures:</p>			

## Audit and Standards Committee Appendix 2 – Completed Audits

<p>with NCC are calculated as agreed.</p> <ul style="list-style-type: none"> <li>• The investments and borrowing portfolio are clearly identifiable.</li> <li>• The strategic decision to utilise internal funds and funding swaps as oppose to external borrowing has resulted in potential interest savings of £1.5m to the Enterprise Zone account across the last 3 years.</li> </ul>	<ul style="list-style-type: none"> <li>• Roles and responsibilities of NECA and NCC for all matters relating to Treasury Management are established.</li> <li>• It references the Treasury Management Policy and Strategy and the expectations within these.</li> <li>• The process and rates to be used in the calculation and settlement of amounts owed between NECA and NCC in terms of cash balances and interest, is clearly defined.</li> <li>• Appropriate performance management arrangements are established.</li> </ul> <p><b>Implementation date – 31 July 2018</b></p> <p>-----</p> <p>2. There is no documented annual cash flow forecast maintained to identify expected future daily cash balances. (Medium)</p> <p><b>Recommendation</b> The Chief Finance Officer and Principal Accountant should ensure:</p> <ul style="list-style-type: none"> <li>• An annual cash flow forecast is produced in advance of the year, taking into account expected receipt and allocations of LGF funding, daily averages for sundry payments and receipts, and commencement / maturity of investments and loans.</li> <li>• The annual cash flow forecast is updated daily using actual closing bank balances and any new information to determine any necessary actions, i.e. whether to invest / disinvest to ensure sufficient cash is available when required, and investment limits are not breached.</li> <li>• The mid-year review of the Treasury Management strategy should report on NECA’s compliance with the investments counterparty limits in the year, i.e. on fixed term investments, money market investments and balances held with Lloyds Bank.</li> <li>• Alternative options to invest on short notice of receipt of large grants are explored to ensure investment counterparty limits are not breached.</li> </ul> <p><b>Implementation date – 31 July 2018</b></p>
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## Audit and Standards Committee Appendix 2 – Completed Audits

Audit	Assessment	Recommendations			
		High	Medium	Low	VFM
<b>Human Resources</b>	<b>Substantial</b>	-	2	1	-
<b>Audit objectives and scope</b>					
<p>The overall objective of the audit was to assess whether significant risks in relation to human resources arrangements are adequately and effectively controlled. This was done through review of the following objectives:</p> <ul style="list-style-type: none"> <li>• There are appropriate policies and procedures in place to cover recruitment, leave, training and sickness. for staff directly employed by NECA</li> <li>• The operation of the organisations human resources policies is monitored and suitable controls are in place to ensure compliance</li> <li>• Arrangements for the engagement of agency/contractor staff and monitoring their performance have been established and are followed</li> <li>• Systems are in place which ensure payments made to staff, whether directly or through an agency or invoice, are correct</li> <li>• Procedures are in place to achieve value for money and identify efficiency</li> </ul>					
<b>Internal Audit work undertaken was as follows:</b>					
<ul style="list-style-type: none"> <li>• Discussions with the Principal Accountant (NECA), to ascertain the nature of systems and identify the controls operated by management.</li> <li>• Evaluation of current systems and controls through review and testing of the following: <ul style="list-style-type: none"> <li>○ The NECA Constitution which includes Financial Regulations (Part 5)</li> <li>○ Five new appointments including payroll processing</li> <li>○ One secondment agreement</li> <li>○ Three leavers including payroll processing</li> </ul> </li> </ul>					
<b>Assurances</b>	<b>Control weaknesses impacting on assurance and recommendations</b>				
<ul style="list-style-type: none"> <li>• Payroll transactions processed through Newcastle City Council's financial system were appropriately authorised and supported by relevant documents.</li> <li>• Standard proforma templates for secondments are in place which clearly explain the procedures, responsibilities and expectations for all involved parties/ individuals.</li> </ul>	<p>1. There is no Human Resources service level agreement (SLA) in place with the relevant constituent authority (Medium)</p> <p><b>Recommendation</b> The Monitoring Officer should ensure that a formal SLA is in place for Human Resource services which clearly defines the roles and responsibilities of the constituent authorities who provide HR to the Combined Authority.</p> <p><b>Implementation date</b> – 30 September 2018</p>				

## Audit and Standards Committee Appendix 2 – Completed Audits

	<p>2. Assurances need to be obtained from constituent authorities that data is held in accordance with the Data Protection Act (Medium)</p> <p><b>Recommendation</b> Given the Combined Authority’s structure and the involvement of several constituent authorities in human resources and payroll, it is imperative a record is maintained of the data held, by whom, and agreements to ensure compliance with the Combined Authority’s overarching data management and governance policies are in place.</p> <p>NECA should seek formal assurances from the constituent authorities holding personal, that the data is being held and managed in accordance with the Data Protection Act.</p> <p><b>Implementation date</b> – 30 September 2018</p>
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## **Audit and Standards Committee**

**Date:** 30 July 2018

**Subject:** Annual Governance Statement 2017/18

**Report of:** Audit, Risk and Insurance Service Manager

### **Executive Summary**

The purpose of this report is to bring the final 2017/18 Annual Governance Statement (AGS) to Members to consider its inclusion in the annual accounts.

The draft Statement was agreed at the April Audit and Standards Committee (previously Governance Committee), and there have been no significant weaknesses identified since its approval. However, there has been an additional area identified as requiring improvement, around the governance and management of the Tyne Tunnels. Areas requiring improvement are included within Appendix A of the Statement.

Since the April Audit and Standards Committee, the Governance Framework (section 3 of the AGS) has been updated to reflect the principles of the latest CIPFA delivering good governance framework guidance. The changes to the core principle descriptions has not altered the outcomes noted against them or impacted upon the assurance framework Members reviewed at the last meeting.

### **Recommendation**

- I. Acknowledge the additional area requiring improvement (Appendix A of AGS)
- II. It is recommended that the Committee agree the Annual Governance Statement for inclusion in the annual accounts and recommends it for signature by the Chair of the North East Combined Authority and Head of Paid Service. The Annual Governance Statement is at Appendix 1

## **Audit and Standards Committee**

### **1 Background Information**

1.1 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
- Prepare an annual governance statement; and
- Through a relevant committee review and approve the annual governance statement

1.2 The Accounts and Audit Regulations 2015 implemented changes to the timeframe for the production of the Statement of Accounts and Annual Governance Statement with effect from 1 April 2017. This has resulted in the time period for the production of this year's Governance Statement being reduced from 3 months to 2 months. The final accounts and AGS will be approved by the Leadership Board on 31 July 2018, therefore Audit and Standards Committee are requested to consider the draft 2017/18 Statement at today's meeting to ensure the deadlines are met.

### **2 2017/18 Annual Governance Statement**

2.1 The approach to produce the 2017/18 Statement is based on a framework of assurance from a number of areas and in preparing it, it was necessary to review evidence from the following sources. This approach complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice:

- Governance Arrangements e.g. the Authority's Constitution
- Statutory Officers - Completion of assurance statements
- Members - Views of Audit and Standards Committee
- Internal Audit Activity – including the Chief Audit Executive's (Audit, Risk and Insurance Service Manager) annual opinion
- Risk Management - Risk reviews
- Performance Management - Outcomes reported during 2017/18
- Views of the external auditor and other external inspectorates
- Key Partnerships - Completion of assurance statements

2.2 **Governance Arrangements** - The Combined Authority had a Constitution in place in 2017/18, which has been reviewed and approved by the Leadership Board at their annual meeting on 19 June 2018. The Constitution defines the roles and responsibilities of those charged with governance within the Authority. There are also a number of other key documents including the NECA Order and Operating Agreement in place. This evidence and the information below provides assurance that governance arrangements have been defined.



## **Audit and Standards Committee**

- 2.3 **Statutory Officers** – The Monitoring Officer and Chief Finance Officer have provided signed assurance statements setting out the mechanisms they have in place and concluding that they can provide assurance that effective controls are in place. The Monitoring Officer as the Senior Information Risk Owner (SIRO), has also certified an appropriate assurance statement.
- 2.4 **Members** – the Audit and Standards Committee have reviewed evidence throughout 2017/18 relevant to the control and governance arrangements in place for the Combined Authority. This has included internal and external audit activity, financial records relevant to budgets and the accounts, risk management and other assurance information.
- 2.5 **Internal Audit Activity** – The Internal Audit Service has undertaken audit work throughout the year based on a risk based audit plan. This is considered in more detail in the internal audit annual report, which will be presented to Committee at today’s meeting. The opinion based on the internal audit work for 2017/18 is that the control environment was effective and provided a substantial level of assurance.
- 2.6 **Risk Management** – A risk management policy and strategy is in place and a strategic risk register has been developed, which monitors the most significant risks to the Combined Authority. The risk register is elsewhere on this agenda and provides evidence that there is a sound process in place for managing strategic risks and opportunities within the Combined Authority.
- 2.7 **Performance Management** – Performance information from each theme is reported to the Leadership Board on a regular basis and has not identified any issues which would suggest a significant weakness in the control environment.
- 2.8 **External auditor** – The external auditor Mazars issued an unqualified opinion on the NECA 2016/17 accounts and an unqualified value for money opinion. An audit of the Authority’s 2017/18 accounts will be undertaken and further assurance will be given at that point before the accounts are finalised.
- 2.9 **Key Partnerships** – There is a register of significant partnerships which has been used to identify those partnerships where the Authority needs assurance on their control environment to support its Annual Governance Statement. Based on evidence from the returned assurance statements, the partnerships have stated that they have an effective control environment in place with no weaknesses identified.
- 2.10 Nexus is not included in the significant partnership register due to its status as an officer of the Combined Authority, however a separate assurance statement has been signed by their Director of Finance, and was presented to the April Committee, which stated Nexus have an effective control environment in place.

## **Audit and Standards Committee**

### **3. Outcomes of the Review of Assurances**

- 3.1 The review highlighted no significant weakness in the internal control environment during 2017/18, although did identify two areas requiring improvement. NECA's Committee's quorum and Governance of the Tyne Tunnels. Appendix A to the Statement sets out the detail relating to both items.

### **4. Proposals**

- 4.1 The Committee are asked to agree the 2017/18 Annual Governance Statement for inclusion in the annual accounts and recommend it for signature by the Vice Chair of the Combined Authority and Head of Paid Service.

### **5. Reason for the Proposals**

- 5.1 Audit and Standards Committee's role is to provide an ongoing review, challenge and assurance role in relation to governance and internal control issues. The Committee therefore reviews the Annual Governance Statement process and supporting evidence before the Statement is approved and certified.

### **6. Next Steps and Timetable for Implementation**

- 6.2 The Annual Governance Statement will be signed by the Chair of the Combined Authority and the Head of Paid Service, before being published with the final accounts.

### **7. Potential Impact on Objectives**

- 7.1 No direct impact on objectives.

### **8. Financial and Other Resources Implications**

- 8.1 This work to develop the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the SLA for 2017/18.

### **9. Legal Implications**

- 9.1 No direct legal implications arising specifically from this report.

### **10. Key Risks**

- 10.1 Risk management has been considered as part of the production of the Annual Governance Statement. There are no specific risk implications directly arising from this report.

### **11. Equalities and Diversity**

- 11.1 There are no equalities and diversity implications directly arising from this report.

### **12. Crime and Disorder**

- 12.1 There are no crime and disorder implications directly arising from this report.

## **Audit and Standards Committee**

### **13. Consultation/Engagement**

- 13.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have consulted on the draft Annual Governance Statement.

### **14. Other Impact of the Proposals**

- 14.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

### **15. Appendices**

- 15.1 Appendix 1 - Annual Governance Statement 2017/18

### **16. Background Papers**

- 16.1 The Annual Governance Framework and completed Partnership Assurance Statements are available.

### **17. Contact Officers**

- 17.1 Philip Slater, Audit, Risk and Insurance Service Manager  
E mail: [philip.slater@newcastle.gov.uk](mailto:philip.slater@newcastle.gov.uk)  
Tel: 0191 2116511

### **18. Sign off**

- Head of Paid Service
- Monitoring Officer
- Chief Finance Officer

## Annual Governance Statement 2017/18

<b>Section 1</b>	Scope of Responsibility
<b>Section 2</b>	The Purpose of the Governance Framework
<b>Section 3</b>	The Governance Framework
<b>Section 4</b>	Annual Review of Effectiveness of Governance Framework
<b>Section 5</b>	North of Tyne Devolution Proposals
<b>Section 6</b>	Significant Weaknesses in Governance and Internal Control
<b>Section 7</b>	Conclusion
<b>Appendix A</b>	Improvements needed to Governance and Internal Control

### **Section 1: Scope Of Responsibility**

The seven local authorities of Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland, as the already established North East Leadership Board came together in April 2014 to establish a Combined Authority for the area. Building on the track record of joint working, the Authority is an enabling body, which reinforces and strengthens existing partnership arrangements to collectively drive forward change and enable economic growth. It brings together the political leadership of the seven local authorities in the region to help co-ordinate strategic transport and economic planning for growth in the long term in a global context.

The Combined Authority works closely with the North East Local Enterprise Partnership, for which it is the accountable body, to deliver the objectives of the Combined Authority and the Strategic Economic Plan, which sets out our ambitious vision to strengthen the area's economy and provide more opportunities for businesses and communities.

We (the North East Combined Authority) are responsible for ensuring that our business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority's Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has put in place a system of internal control designed to

manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and strategic risk register, which is reported to regular meetings of the Authority's Audit and Standards Committee (formally known as Governance Committee). This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

## **Section 2: Purpose Of The Governance Framework**

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2018 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

## **Section 3: The Governance Framework**

The core principals and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

### 1 Ensuring openness and comprehensive stakeholder engagement

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our [Strategic Economic Plan](#), to create the best possible conditions for growth in jobs, investment and living standards, enabling residents to develop high-level skills so they can benefit long into the future.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 Meetings, agendas and minutes are accessible via [NECA's website](#). A Forward Plan is available which contains matters which are expected to be the subject of key decisions taken by the Leadership Board.

1.4 Our [Freedom of Information Scheme](#) is published on our website.

### 2 Developing the entity's capacity, including the capability of its leadership and the

## individuals within it

2.1 We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Leadership Board, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

## 3 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

3.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The [Constitution is available on the NECA website](#).

3.3 We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit.

3.4 The NECA Order specifies the membership and functions of the Combined Authority. The seven Councils in the Combined Authority entered into an Operating Agreement which details how work is carried out and underpins the operation of the Combined Authority.

3.5 A register of Members' interests (including gifts and hospitality) is also maintained.

## 4 Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making, The Overview and Scrutiny Call-in Sub Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 13.3) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority's procurement procedures are carried out in line with financial regulations set out in Part 5 of the Constitution through Service Level Agreements.

4.3 The [Accounts and Transparency](#) page of our website contains the most recent accounts of the North East Combined Authority, and includes monthly spending reports, procurement procedures, lists and registers.

#### 5 Managing risks and performance through robust internal control and strong public financial management

5.1 Our Risk Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 We have an information governance strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Authority's data. A Data Protection Officer has been appointed to oversee the data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2017/18 are noted in Section 4 Annual Review of Effectiveness of Governance Framework.

#### 6 Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). In March 2018 the North East LEP published its first annual '[Our Economy](#)' report, which provides an update on how the North-East economy is performing and provides an update on progress against SEP targets.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

#### 7 Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 Section 4 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy and effectiveness of our governance, risk and control framework.

7.2 We publish details of [delegated decisions on our website](#).

7.3 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013.

### **Section 4: Annual Review Of Effectiveness Of Governance Framework**

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by Officers and Members of Audit and Standards Committee who provide independence and challenge. The outcomes of the review were circulated informally to Leadership Board and will be considered further by the Audit and Standards Committee.

The review is informed by:

- (a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Audit, Risk and Insurance, Service Manager's report to the July Audit and Standards Committee gives the opinion that "the overall adequacy and effectiveness of NECA's governance, risk and control framework during 2017/18 was that there has been an effective system of control in place. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance".
- (b) An annual review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
- (c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report. The external auditors Annual Audit Letter for 2017/18 provides an unqualified opinion on the financial statements. The report confirms that NECA has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
- (d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.
- (e) The views of the Authority's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements.
- (f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee's decisions.
- (g) The Risk Management process, particularly the Strategic Risk Register.
- (h) Performance information which is reported to Leadership Board and other meetings on a regular basis.
- (i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority's objectives and delivery of the Strategic Economic Plan.

## **Section 5: North of Tyne Devolution Proposals**

The three North of Tyne Authorities (Newcastle, North Tyneside and Northumberland) have agreed to a 'minded-to' Devolution Deal with Government in November 2017. In order to implement this deal there is a requirement to establish a North of Tyne Mayoral Combined Authority, which requires the three Councils to withdraw from the existing NECA. A governance review was undertaken by the three authorities, which concluded that the creation of the proposed North of Tyne Mayoral Combined Authority would be likely to improve the exercise of statutory functions in relation to the area. NECA Leadership Board has given consent to the three local authorities leaving the current NECA and to the creation of a governance model for joint arrangements for transport matters across the area of the seven authorities. The Government will lay the Order in late



July 2018 to create the proposed North of Tyne Mayoral Combined Authority which will be enacted in September 2018.

## **Section 6: Significant Weaknesses In Governance and Internal Control**

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2017/18.

## **Section 7: Conclusion**

We consider the governance and internal control environment operating during 2017/18 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. There are however area's that require improvement during 2018/19 as detailed in Appendix A.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that the arrangements for 2017/18 are in place and operating as planned.

We have been advised on the implications of the review by the Audit and Standards Committee and propose over the coming year to continue to improve our governance and internal control arrangements.

**Head of Paid Service**

**Vice-Chair of the North East Combined Authority**

**Full Name:**

**Full Name:**

**Signature:**

**Signature:**

**Date:**

**Date:**

SECTION 6: IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

<b>Governance and Internal Control Item</b>	
<b><u>Committee Quorum</u></b>	
<u>Background/Risk</u>	
<p>During 2017/18 a number of committees of the North East Combined Authority have had insufficient Members in attendance to be quorate. This position runs the risk that important decisions and committee business cannot be fulfilled or is delayed.</p> <p>The Monitoring Officer, with full support from Committee Chairs, has during the year contacted members of the Overview &amp; Scrutiny and Audit and Standards Committees directly regarding non-attendance, which has resulted in improved attendance.</p> <p>Following the annual review of the NECA Constitution proposals to reduce the quorums of both Committees will be considered by Audit and Standards Committee before being presented to the Leadership Board at their Annual meeting in June 2018.</p> <p>Accountable Officer: Monitoring Officer</p>	
<b>Action(s) required to enhance effectiveness</b>	<b>Implementation date</b>
<p>Following the formal annual review of the Authority's Constitution, Audit and Standards Committee will be invited to endorse the proposed changes to the Constitution. This will include consideration being given to reduce the quorums of both Audit &amp; Standards and Overview &amp; Scrutiny Committees.</p>	<p>July 2018</p>

SECTION 6: IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

<b>Governance and Internal Control Item</b>	
<p><u>Tyne Tunnels</u></p> <p><u>Background/Risk</u>                      The North East Combined Authority (NECA) own the Tyne Tunnels. TT2 Ltd are responsible for the operation and routine maintenance of all the tunnels including the pedestrian and cycle tunnels, however the major maintenance liability for the pedestrian and cycle tunnels is retained by the NECA. This is monitored by Newcastle City Council on behalf of NECA in accordance with the terms of the Concession Project Agreement.</p> <p>In March 2015 the contractor undertaking Phase 3 of the refurbishment works entered administration bringing the project to a halt. Following this NECA took over the role of Main Contractor on the refurbishment of the pedestrian and cyclist tunnels. This role is being undertaken by Newcastle City Council’s Building and Commercial Enterprise Division. Bringing the project management in house has minimised further delays and cost risks. This arrangement will continue until the completion of the project.</p> <p>Effective arrangements need to be put in place to deliver the Client Role responsibilities of NECA.</p> <p>Accountable Officer: Chief Finance Officer</p>	
<b>Action(s) required to enhance effectiveness</b>	<b>Implementation date</b>
Formulate a proposal and obtain agreement to improve clarity, communications, accountability and officer capacity in respect to the governance and management arrangements for the Tyne Tunnels.	30 September 2018
Implement agreed governance and management arrangements for the Tyne Tunnels.	31 December 2018
Handover arrangements for the operation of the newly refurbished Pedestrian and Cycle Tunnels by TT2 need to be put in place this summer prior to the opening of the Tunnels later in the year.	30 September 2018





## **Audit and Standards Committee**

**Date:** 30 July 2018

**Subject:** Strategic Risk Register

**Report Of:** Audit, Risk and Insurance Service Manager

### **Executive Summary**

The purpose of this report is to provide members with an update of the Strategic Risks for the North East Combined Authority.

### **Recommendations**

Audit and Standards Committee are asked to review the outcome of the strategic risk review, as well as highlight any additional strategic risks that may need to be considered for inclusion in the risk register.

## **Audit and Standards Committee**

### **1 Background Information**

- 1.1 The risk which monitors the future effectiveness of NECA is moving in a positive direction of travel. The risk priority has reduced from red to amber to reflect NECA entering into a Deed of Co-operation with all seven Councils, which will reflect the continuing strong working relationship of the seven Councils and their commitment that the two Combined Authorities will work together in partnership to support the work of the North East LEP, and the North East Strategic Economic Plan, and Transport across the seven Local Authorities once the Order is placed.
- 1.2 A question was raised at the previous Audit and Standards Committee (then Governance Committee), as to whether the General Data Protection Regulations (GDPR), should be included in NECA's risk register. The Committee will receive an update at today's meeting regarding the changes that have been implemented as part of the GDPR Readiness Project. The risks associated with GDPR have been identified and addressed as part of the project's risk assurance framework and key officer roles have been identified. These officers will continue to act as a point of contact to ensure monitoring, review and support of the Information Governance Framework continues. Therefore, from the work undertaken as part of the GDPR Readiness Project it is considered that GDPR does not need to be included with NECA's strategic risk register.
- 1.3 Appendices A and B provide the Committee with details of each risk. Appendix C provides details of the North East Local Enterprise Partnership risks. The Toolkit at Appendix D is used to determine the risk priority for NECA risks.
- 1.4 The strategic risk register only contains high level risks covering the overall Authority. Specific risks relating to themes within the Strategic Economic Plan, continue to be monitored within the themes. Nexus continues to report risks to the Transport North East (Tyne and Wear) Sub Committee. A link to the latest report is included at Section 14 - Background documents.

### **2. Proposals**

- 2.1 The Combined Authority will continue to develop the strategic risk register to record, monitor and report the strategic risks to the Audit and Standards Committee at 3 monthly intervals, with support from officers.

### **3. Reason for the Proposals**

- 3.1 Audit and Standards Committee continue to fulfil an ongoing review and assurance role in relation to governance and internal control issues.

## **Audit and Standards Committee**

### **4. Next Steps and Timetable for Implementation**

- 4.1 The risk register will be closely monitored to ensure the mitigation plans and next steps are delivered.

### **5. Potential Impact on Objectives**

- 5.1 The development of the strategic risk register will not impact directly on the objectives of the Authority's policies and priorities, however the approach to strategic risk management will support delivery of aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

### **6. Finance and Other Resources Implications**

There are no direct financial implications arising from this report. Risk Management work is supplied to NECA through a Service Level Agreement with Newcastle City Council.

### **7. Legal Implications**

There are no direct legal implications arising specifically from this report.

### **8. Key Risks**

There are no direct risk management implications from this report. The approach to risk management is documented within the agreed policy and strategy.

### **9. Equalities and Diversity**

There are no equalities and diversity implications directly arising from this report.

### **10. Crime and Disorder**

There are no crime and disorder implications directly arising from this report.

### **11. Consultation /Engagement**

The Head of Paid Service, Monitoring Officer and Chief Finance Officer have consulted on the Strategic Risk Register.

### **12. Other Impact of the Proposals**

The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

### **13. Appendices**

Appendix A – 'Risk at a glance' shows live risks, risk priority and direction of travel for NECA risks

Appendix B – Provides a detailed assessment of the NECA strategic risks and future activity to reduce the overall risk exposure

Appendix C – Provides a detailed assessment of the North East Local Enterprise Partnership strategic risks and future activity to reduce the overall risk exposure

Appendix D – Risk Analysis Tool determines the risk priority for NECA risks.

## **Audit and Standards Committee**

### **14. Background Documents**

[Nexus risks can be found on the NECA website as part of the – Transport North East \(Tyne and Wear\) Sub-Committee](#) Page 31.

### **15. Contact Officers**

Philip Slater - Audit, Risk and Insurance Service Manager - Newcastle City Council. [Philip.slater@newcastle.gov.uk](mailto:Philip.slater@newcastle.gov.uk).  
Telephone - 0191 2116511

### **16. Sign off**

- Head of Paid Service
- Monitoring Officer
- Chief Finance Officer



**Audit and Standards Committee**

**Appendix A**

<b>NECA risks at a glance</b>		
<b>Risk Title &amp; Description</b>	<b>Risk Priority</b>	<b>Direction of Travel</b>
<b>Live Risks</b>		
<b>Effectiveness</b> The future effectiveness of the North East Combined Authority (NECA) may be adversely impacted if a North of Tyne Mayoral Combined Authority is created.	<b>Amber 8</b>	<b>Improving</b>
<b>European Funding 2014-2020</b> Failure of the North East LEP area to secure the notional funding allocated to the North East through European Structural and Investment Funding (ESIF) programmes which significantly impacts on the delivery of the Strategic Economic Plan.	<b>Amber 9</b>	<b>Static</b>
<b>Operational Capacity and Resourcing</b> The Combined Authority is unable to demonstrate to Government and partners that it has the necessary operational capacity, skills and budget, to successfully deliver the Authority's objectives.	<b>Red 12</b>	<b>Static</b>

## Audit and Standards Committee

### North East Combined Authority – Risk Management

### Appendix B

<p><b><u>Effectiveness</u></b></p> <p>The future effectiveness of the North East Combined Authority (NECA) may be adversely impacted if a North of Tyne Mayoral Combined Authority is created.</p>	<p><b><u>Risk Owner</u></b> Head of Paid Service</p> <p><b><u>Risk Score</u></b></p> <p style="background-color: yellow;">Amber 8</p> <p>Likelihood – Low Impact - Critical</p>
<p><b>Cause:</b></p> <p>The North East Combined Authority’s decision not to proceed with a Mayoral Combined Authority in September 2016 and the withdrawal of the devolution deal has resulted in the North of Tyne Authorities agreeing a ‘minded to’ North of Tyne area deal in November 2017. On the 26th April 2018, the NECA Leadership Board consented to the establishment of the North of Tyne Mayoral Combined Authority.</p>	
<p><b>Impact/Consequence:</b></p> <p>The North East Combined Authority will need to adjust to operate with a reduced local authorities’ membership and changes to its boundaries when the North of Tyne Mayoral Combined Authority proceeds.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• The seven Local Authorities have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the 2 Combined Authorities</li> <li>• The Order provides for the existence of the NECA and specifies its current membership and functions</li> <li>• Formal decision-making committees including NECA Leadership Board, Transport North East, and the Tyne and Wear Transport Sub Committee continue</li> <li>• The LA7 continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Economic Directors, Finance Directors, Monitoring Officers and Heads of Transport, plus formal Transport and Governance Committees</li> <li>• The Strategic Economic Plan (SEP) has been refreshed by the North East LEP to ensure the economic priorities remain current, reflecting the region’s economic position</li> <li>• All seven local authorities continue to support the North East LEP and the SEP</li> <li>• A Strategic Partnership Register has been agreed which identifies all partnerships that are entirely or substantially responsible for delivering or managing an outcome for the Combined Authority</li> <li>•</li> </ul>	
<p><b>Next Steps</b></p> <p>The Reconfiguration Programme will review the system of control and assurance framework of NECA, acknowledging the changes to NECA’s boundaries and the creation of a Mayoral Combined Authority.</p> <p>The underpinning projects are:</p> <ul style="list-style-type: none"> <li>• Governance and Corporate</li> <li>• Transport</li> <li>• Employment</li> </ul>	<p><b>Lead Officer(s)</b></p> <p>Helen Golightly (Head of Paid Service)</p>

## Audit and Standards Committee

<ul style="list-style-type: none"> <li>Finance</li> </ul>	
<p>The NECA Constitution has been formally reviewed and endorsed by the Leadership Board in June 2018. Further amendments will be made to the Constitution as soon as possible after an Order has been placed which amends the NECA boundary following removal of the three constituent authorities North of the Tyne.</p>	<p>Peter Judge (Monitoring Officer)</p>
<p>The Monitoring Officer continues to work with Chief Legal Officers of the seven constituent authorities to develop a legally binding agreement reflecting the transport governance policy principles.</p>	<p>Peter Judge (Monitoring Officer)</p>

## Audit and Standards Committee

<p><b><u>European Funding 2014-2020</u></b></p> <p>Failure of the North East LEP area which covers the 7 Local Authorities to secure the notional funding allocated to the North East through European Structural and Investment Funding (ESIF) programmes which significantly impacts on the delivery of the Strategic Economic Plan.</p>	<p><b><u>Risk Owner</u></b> Head of Paid Service</p> <p><b><u>Risk Score</u></b></p> <p style="background-color: yellow;">Amber 9</p> <p>Likelihood - Medium Impact – Significant</p>
<p><b>Cause:</b> ESIF Programme implementation was delayed whilst the impact of the EU Referendum was reviewed by Government departments, leading to underperformance against profiled commitment/spend for some parts of the programme. The UK Shared Prosperity Fund is likely to replace the ESIF Programmes beyond 2021, however there is little detail on how this fund will operate and how much will be available, therefore the future funding opportunities are uncertain at this time.</p>	
<p><b>Impact/Consequence:</b> 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><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• Government has given assurances that projects that are contracted before the Brexit deadline of March 2019 will be honoured. This is on the understanding that these projects will meet additional value for money criteria set out by Government</li> <li>• The North East Combined Authority and the North East LEP have secured £58.5m of JEREMIE 2 grant funding (part of the European Regional Development Fund) and a Special Purpose Vehicle has been established to deliver funding for projects, supporting small and medium sized enterprises</li> <li>• The North East LEP have set up a number of partnership working groups to develop local content to feed into project calls to ensure the funding is appropriately focussed on local need</li> <li>• The North East Technical Assistance project, led by Northumberland County Council on behalf of local authority partners; is supporting local partners with their ESIF applications to maximise access to the funding available</li> <li>• The Strategic Economic Plan has been refreshed to ensure its priorities remain current. The Plan is aligned to a European Structural and Investment Fund Strategy, to direct the allocation of European Funding 2014-2020 to grow the North-East Economy</li> </ul>	
<p><b>Next Steps</b></p>	<p><b>Lead Officer(s)</b></p>
<p>The North East LEP and other local partners are working with the Managing Authorities (MHCLG, DWP and DEFRA) to ensure that the maximum funding will be allocated to the North East, in line with the notional allocation of €560m.</p>	<p>Helen Golightly (Chief Executive, North East LEP)</p>
<p>A further tranche of European Social Funding of circa £20m was made available within the North East. The LEP is working closely with MHCLG to inform the need for future funding to be released by central Government.</p>	<p>Helen Golightly (Chief Executive, North East LEP)</p>

## Audit and Standards Committee

<p><b><u>Operational Capacity and Resourcing</u></b></p> <p>The North East Combined Authority is unable to demonstrate to Government and partners that it has the necessary operational capacity, skills and budget, to successfully deliver the Authority's objectives.</p>	<p style="text-align: center;"><b><u>Risk Owner</u></b> Head of Paid Service</p> <hr/> <p style="text-align: center;"><b><u>Risk Score</u></b></p> <p style="text-align: center; background-color: red; color: white;"><b>Red 12</b></p> <p style="text-align: center;">Likelihood – Medium Impact - Critical</p>
<p><b>Cause:</b></p> <p>The uncertainty following the withdrawal of the devolution deal has impacted on:</p> <ul style="list-style-type: none"> <li>• The Authority's commitment to secure permanent senior staff and secondment opportunities, resulting in key officer disciplines and resource requirements being at risk</li> <li>• The North of Tyne proposal may result in current officer resources being further reduced</li> </ul>	
<p><b>Impact/Consequence:</b></p> <p>Without permanent Statutory Officers and recruitment into other officer positions, the Authority will be unable to improve its effectiveness whilst carrying out its statutory responsibilities and core activities.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• The appointment of the North East LEP's Chief Executive to also undertake the position of Head of Paid Service has further strengthened the partnership arrangements between the North East LEP and the North East Combined Authority</li> <li>• A dedicated Monitoring Officer has been appointed. A contract with the Chief Finance Officer is in place. Neither appointment should be affected by a separate North of Tyne Devolution Deal.</li> <li>• Partners continue to engage through the formal meetings of the Combined Authority and LA7, including at Leader, Chief Executive, Economic Director, Chief Legal Officer and Finance Director levels</li> <li>• Economic Directors' Group have put in place a programme of work, looking at the impact of Brexit on the economy, Local Authority finances and the region more widely</li> <li>• The Leadership Board has agreed a budget for 2018/19</li> <li>• As part of the budget process Chief Executives and the Head of Paid Service identified the risks relating to capacity and political commitment</li> </ul>	
<p><b>Next Steps</b></p>	<p><b>Lead Officer(s)</b></p>
<p>The capacity and resourcing risks within the Combined Authority will be identified and managed as part the Combined Authority's Reconfiguration Programme and its underpinning projects (Governance &amp; Corporate, Transport, Employment and Finance)</p>	<p>Helen Golightly (Head of Paid Service)</p>
<p>An exercise is currently underway to review and strengthen NECA's Service Level Agreements (SLAs) to ensure key officer disciplines are formally recognised and continue to support Statutory Officers and the Leadership Board.</p>	<p>Peter Judge (Monitoring Officer)</p>

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**Appendix C**

**North East Local Enterprise Partnership - Risk Management**

<p><b><u>Operational Capacity and Resourcing</u></b></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).</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p><b>Amber 8</b></p>
	<p>Likelihood – Low Impact – Critical</p>
<p><b>Cause:</b> Some funding sources relating to staff resourcing are time-limited and core operational budget levels are not sufficient to allow the Local Enterprise Partnership (LEP) to maintain current capacity levels.</p>	
<p><b>Impact/Consequence:</b> 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.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• 2018/19 Budget agreed by the LEP Board and its accountable body</li> <li>• Some financial reserves held by the LEP from previous financial years</li> <li>• Potential to call on financial resources relating to Enterprise Zone income if required</li> <li>• On-going monitoring of external funding landscape and actions to secure alternative sources</li> <li>• Medium term draft budget prepared</li> </ul>	
<b><u>Next Steps</u></b>	<b><u>Lead Officer(s)</u></b>
Budget management and forecasting on-going	Helen Golightly (Chief Executive)
Creation of a new company limited by guarantee sitting alongside the LEP structure will enable the LEP to seek funding from other sources	Helen Golightly (Chief Executive)
On-going horizon scanning for funding opportunities to support the team and delivery.	Helen Golightly (Chief Executive)

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**North East Local Enterprise Partnership - Risk Management**

<p><b><u>Increase in the role and scope of LEP's by Government with no new resource to support the additional responsibility(ies)</u></b></p> <p>Government fails to allocate sufficient operational budgets if they increase the role, scope and remit of LEP activity through changes in national policy, and in particular the national LEP Review.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p><b>Red 12</b></p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> Government are reviewing the role and scope of LEP activity as it introduces new economic development policies linked particularly to the national Industrial Strategy. There needs to be financial resources made available to LEPs to carry out any increased responsibility and activity.</p>	
<p><b>Impact/Consequence:</b> The LEP operational budget does not have sufficient head-room to add any financial resource for additional staff. This could lead to current staff resource being spread too thinly, reducing impact and effectiveness and facilitating the delivery of the Strategic Economic Plan.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• The LEP is working closely with Government to try to influence policy and its practical implications</li> <li>• LEP Network (national body) also lobbying Government</li> </ul>	
<b><u>Next Steps</u></b>	<b><u>Lead Officer(s)</u></b>
Continue to lobby and influence Government	Helen Golightly (Chief Executive)
Consider and respond to any changes as they emerge	Helen Golightly (Chief Executive)

**Audit and Standards Committee**

**North East Local Enterprise Partnership - Risk Management**

<p><b><u>Government Capital Funding</u></b></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.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> There is uncertainty around the design, function and level of future regional/local strategic capital funding sources from Government.</p>	
<p><b>Impact/Consequence:</b> Without a clear understanding of future potential funding, the delivery of strategic projects related to the SEP post 2021 is at risk.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• The refreshed SEP is strongly aligned to key Government policies, such as the Industrial Strategy</li> <li>• The LEP is working with Government to influence policy and funding thinking</li> </ul>	
<b><u>Next Steps</u></b>	<b><u>Lead Officer(s)</u></b>
Continue to develop 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)



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**North East Local Enterprise Partnership - Risk Management**

<p><b><u>European Funding</u></b></p> <p>Failure of the North East LEP area to secure the notional funding allocated to the North East through European Structural and Investment Funding (ESIF) programmes which significantly impacts on the delivery of the Strategic Economic Plan.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p> <p><b><u>Risk Score</u></b></p> <p style="background-color: yellow;">Amber 9</p> <p>Likelihood – Medium Impact – Significant</p>
<p><b>Cause:</b> ESIF Programme implementation was delayed whilst the impact of the EU Referendum was reviewed by Government departments, leading to underperformance against profiled commitment/spend for some parts of the programme. The UK Shared Prosperity Fund is likely to replace the ESIF Programmes beyond 2021, however there is little detail on how this fund will operate and how much will be available, therefore the future funding opportunities are uncertain at this time.</p>	
<p><b>Impact/Consequence:</b> 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><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• In August 2016 Philip Hammond gave assurances that projects that are contracted before the Brexit deadline of March 2019 will be honoured by Government. This is on the understanding that these projects will meet additional value for money criteria set out by Government</li> <li>• The Combined Authority and the North East LEP have secured £58.5m of JEREMIE 2 grant funding (part of the European Regional Development Fund) and a Special Purpose Vehicle has been established to deliver funding for projects, supporting small and medium sized enterprises</li> <li>• The North East LEP have set up a number of partnership working groups to develop local content to feed into project calls to ensure the funding is appropriately focussed on local need</li> <li>• The North East Technical Assistance project, led by Northumberland County Council on behalf of the local authority partners; is supporting local partners with their ESIF applications to maximise access to the funding available</li> <li>• The Strategic Economic Plan has been refreshed to ensure its priorities remain current. The Plan is aligned to the ESIF Strategy, to direct the allocation of European Funding 2014-2020 to grow the North-East Economy</li> <li>• The North East has secured circa £131.6m (contracted) and £176.2m (the pipeline) European Regional Development Fund (ERDF), £73.7m European Social Fund (ESF) and £2.7m of European Agricultural Fund for Rural Development (EAFRD) to date out of the total notional allocation of €560m (£437m)</li> </ul>	
<p><b><u>Next Steps</u></b></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><b><u>Lead Officer(s)</u></b></p> <p>Helen Golightly (Chief Executive)</p>

**Audit and Standards Committee**

A further tranche of European Social Funding of circa £20m has been made available within the North East. The LEP is working closely with DCLG to inform the need for future funding to be released by central Government.	Helen Golightly (Chief Executive)
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**North East Local Enterprise Partnership - Risk Management**

<p><b><u>North East devolution</u></b></p> <p>The LEP area covers 7 local authorities. The potential for the LEP area to have more than one combined authority may impact on SEP delivery as governance structures and accountable body status are reviewed.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p><b>Red 12</b></p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> The North East Combined Authority’s decision to proceed with a North of Tyne Mayoral Combined Authority will lead to the regional governance structures being reviewed as two combined authorities are created, both of which are required to operate effectively with the North East LEP.</p>	
<p><b>Impact/Consequence:</b> As we move to two combined authorities, the governance, roles and responsibilities both strategy and delivery need to be clear. Any changes to the accountable body agreement must not be detrimental to the North East LEP.</p>	
<p><b><u>Controls (already in place)</u></b></p> <ul style="list-style-type: none"> <li>• The appointment of the North East LEP’s Chief Executive to the position of NECA’s Head of Paid Service has further strengthened the partnership arrangements between the North East LEP and the seven local authorities</li> <li>• Service Level Agreements continue to provide key officer support and services to the LEP team from the local authorities</li> <li>• All seven local authorities are committed to supporting the North East LEP and the delivery of the SEP</li> </ul>	
<p><b><u>Next Steps</u></b> Work with all seven local authorities, NECA and North of Tyne as the North of Tyne Mayoral Combined Authority is being created to ensure effective governance, capacity and accountability.</p>	<p><b><u>Lead Officer(s)</u></b> Helen Golightly (Chief Executive)</p>

# North East Combined Authority

## Audit and Standards Committee

Appendix D

Action plans must be developed for Red and Amber risks

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk occurring	
High	Risk will almost certainly occur or is occurring at present
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

### Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopping Page 88	<ul style="list-style-type: none"> <li>Over half the objectives/programmes affected</li> <li>More than one critical objective affected</li> <li>Partners do not commit to the Shared vision</li> </ul>	<ul style="list-style-type: none"> <li>Significant change in partner services</li> <li>Relationship breakdown between major partners and stakeholders</li> <li>Serious impact on delivery of Strategic Investment Plans</li> <li>Unplanned major re-prioritisation of resources and/or services in partner organisations</li> <li>Failure of a delivery programme/major project</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or loss of significant funding opportunity (£5m)</li> <li>Significant financial loss in one or more partners (£2m)</li> <li>Significant adverse impact on budgets (£3m – Transport / NELEP; £0.2m Central Budget)</li> </ul>	<ul style="list-style-type: none"> <li>Adverse national media attention</li> <li>External criticism (press)</li> <li>Significant change in confidence or satisfaction of stakeholders</li> <li>Significant loss of community confidence</li> </ul>
Significant	<ul style="list-style-type: none"> <li>One or more objectives/programmes affected</li> <li>One or more partners do not commit to shared vision</li> <li>Significant environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Partner unable to commit to joint arrangements</li> <li>Recoverable impact on delivery of Strategic Economic Plan</li> <li>Major project failure</li> </ul>	<ul style="list-style-type: none"> <li>Prosecution</li> <li>Change in notable funding or loss of major funding opportunity (£2m)</li> <li>Notable change in a Partners contribution</li> <li>Notable adverse impact on budget (£0.5m-£1.5m Transport or NELEP budgets)</li> </ul>	<ul style="list-style-type: none"> <li>Notable external criticism</li> <li>Notable change in confidence or satisfaction</li> <li>Internal dispute between partners</li> <li>Adverse national/regional media attention</li> <li>Lack of partner consultation</li> <li>Significant change in community confidence</li> </ul>
Minor	<ul style="list-style-type: none"> <li>Less than 2 priority outcomes adversely affected</li> <li>Isolated serious injury/ill health</li> <li>Minor environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Threatened loss of partner's commitment</li> </ul>	<ul style="list-style-type: none"> <li>Minor financial loss in more than one partner</li> <li>Some/loss of funding or funding opportunity threatened</li> </ul>	<ul style="list-style-type: none"> <li>Failure to reach agreement with individual partner</li> <li>Change in confidence or satisfaction</li> <li>Minor change in community confidence</li> </ul>
Insignificant	<ul style="list-style-type: none"> <li>Minor effect on priorities/service objectives</li> <li>Isolated minor injury/ill health</li> <li>No environmental impact</li> </ul>		<ul style="list-style-type: none"> <li>Isolated/minor financial impact in a partner organisation</li> </ul>	

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