

Public Document Pack



Northumberland County Council

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email:

Tel direct: 01670 622606

Date: Tuesday, 19 July 2022

Dear Sir or Madam,

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held in the Council Chamber, County Hall, Morpeth on **WEDNESDAY, 27 JULY 2022** at **10.15 AM**.

Please note:

- The period between 9.30 a.m. and 10.00 a.m. is restricted to only the Members of the Audit Committee and Internal and External Audit to allow discussion without the presence of senior officers.

Yours faithfully

Daljit Lally
Chief Executive

To members of the Audit Committee



Daljit Lally, Chief Executive
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AGENDA

PART I

It is expected that the matters included in this part of the agenda will be dealt with in public.

1. MEMBERSHIP

To note that Councillor J. Reid has been appointed to the Audit Committee for the ensuing Council year.

2. APOLOGIES FOR ABSENCE

3. MINUTES

Minutes of the meeting of the Audit Committee held on 25 May 2022, as circulated, to be confirmed as a true record and signed by the Chair.

(Pages 1
- 12)

4. DISCLOSURE OF MEMBERS' INTERESTS

Unless already entered in the Council's Register of Members' interests, members are required where a matter arises at a meeting;

a. Which **directly relates to** Disclosable Pecuniary Interest ('DPI') as set out in Appendix B, Table 1 of the Code of Conduct, to disclose the interest, not participate in any discussion or vote and not to remain in room. Where members have a DPI or if the matter concerns an executive function and is being considered by a Cabinet Member with a DPI they must notify the Monitoring Officer and arrange for somebody else to deal with the matter.

b. Which **directly relates to** the financial interest or well being of an Other Registrable Interest as set out in Appendix B, Table 2 of the Code of Conduct to disclose the interest and only speak on the matter if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room.

c. Which **directly relates to** their financial interest or well-being (and is not DPI) or the financial well being of a relative or close associate, to declare the interest and members may only speak on the matter if members of the public are also allowed to speak. Otherwise, the member must not take part in discussion or vote on the matter and must leave the room.

d. Which **affects** the financial well-being of the member, a relative or close associate or a body included under the Other Registrable Interests column in Table 2, to disclose the interest and apply the test set out at paragraph 9 of Appendix B before deciding whether they may remain in the meeting.

e. Where Members have or a Cabinet Member has an Other Registrable Interest or Non Registrable Interest in a matter being considered in

exercise of their executive function, they must notify the Monitoring Officer and arrange for somebody else to deal with it.

NB Any member needing clarification must contact monitoringofficer@northumberland.gov.uk. Members are referred to the Code of Conduct which contains the matters above in full. Please refer to the guidance on disclosures at the rear of this agenda letter.

5. MONITORING REPORT / ACTION LOG 2022-23 (Pages 13 - 20)

The Audit Committee operates under an agreed programme of core business, in accordance with its Terms of Reference as set out in the Council's Constitution. The Committee is asked to review and note its monitoring report/action log for the 2022/23 council year.

6. REPORT OF THE INTERIM DIRECTOR OF FINANCE AND S151 OFFICER (Pages 21 - 24)

KPMG Forensic Independent Review of Advance Northumberland Group

To inform the Committee of issues arising from the KPMG forensic independent review of the Advance Northumberland Group.

7. REPORT OF THE INTERIM DIRECTOR OF FINANCE AND S151 OFFICER (Pages 25 - 32)

S114 Report by the S151 Officer

To update the Committee on actions being taken in response to the S114 Report issued by the S151 Officer on 23 May 2022 and seek the Committee's approval of the draft terms of reference for an independent investigation into the circumstances that have given rise to unlawful trading activities.

8. REPORT OF THE JOINT INTERIM DIRECTORS OF CHILDREN'S SERVICES AND THE DIRECTOR OF ADULT SOCIAL CARE (Pages 33 - 40)

Review of External Inspection Reports – Adult and Children's Services

To inform members of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. This covers the period from 1st January 2022 to 30th June 2022.

9. ANNUAL REPORT OF THE FIREFIGHTERS' PENSION SCHEME LOCAL PENSION BOARD 2021-2022 (Pages 41 - 48)

This is the annual report of the Northumberland County Council Firefighters' Pension Scheme (FPS) Local Pension Board ("the Board"), which was constituted in 2015 as part of changes introduced by the Public Service Pensions Act 2013. It is the intent of the Board to use the annual

report to inform the Scheme Manager (i.e. NCC's S151 Officer in consultation with the Chief Fire Officer) of NCC's data on FPS membership, statement of accounts, and issues progressed through the Internal Disputes Resolution Procedure (IDRP) and Fire Disputes Panel.

10. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

(Pages
49 - 64)

Internal Audit Charter

The purpose of this report is to inform Audit Committee of an updated Internal Audit Charter in accordance with the requirements of the Public Sector Internal Audit Standards (April 2017) and the related Local Government Application Note.

11. REPORT OF THE EXTERNAL AUDITOR

Update on 2020-21 Audit of the 2020-21 Statement of Accounts

To receive a verbal update.

12. URGENT BUSINESS (IF ANY)

To consider such other business as, in the opinion of the Chair, should, by reason of special circumstances, be considered as a matter of urgency.

13. DATE OF NEXT MEETING

The next meeting is scheduled for Wednesday, 28 September 2022 at 10.15 am.

PART II

It is expected that matters included in this part of the Agenda will be dealt with in private. Reports referred to are enclosed for members and officers only, coloured pink and marked "Not for Publication".

14. EXCLUSION OF PRESS AND PUBLIC

The Audit Committee is invited to consider passing the following resolution:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Items

Paragraph of Part I of Schedule 12A

15 & 16

Paragraph 3 of Part 1 of Schedule 12A
Information relating to the financial or business
affairs of any particular person (including the
authority holding the information).

Disclosure could adversely affect the business
reputation or confidence in the
person/organisation, and could adversely affect
commercial revenue.

**15. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK
MANAGEMENT**

**Group Audit Committee: Advance Northumberland Internal Audit
Update**

The purpose of this report is to update Group Audit Committee on progress with the Internal Audit plan of work for Advance Northumberland Group of Companies. A report to be presented to Advance Northumberland Audit Committee on 26 July 2022, summarising Internal Audit coverage, is provided at Appendix 1.

**16. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK
MANAGEMENT**

Risk Management Update

The purpose of this report is to provide Audit Committee with an update on progress with the development, implementation and embedding of risk management within the County Council; and to inform Audit Committee of the latest position of the corporate risks following review by Executive Team and Cabinet portfolio holders.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

- Declare it and give details of its nature before the matter is discussed or as soon as it becomes apparent to you.
- Complete this sheet and pass it to the Democratic Services Officer.

Name:		Date of meeting:	
Meeting:			
Item to which your interest relates:			
Nature of Interest i.e. either disclosable pecuniary interest (as defined by Table 1 of Appendix B to the Code of Conduct, Other Registerable Interest or Non-Registerable Interest (as defined by Appendix B to Code of Conduct) (please give details):			
Are you intending to withdraw from the meeting?		Yes - <input type="checkbox"/>	No - <input type="checkbox"/>

Registering Interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest.

Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in **Table 1**) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a relative or close associate; or
- c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2** you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well- being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Agenda Item 3

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At the Annual Meeting of the Audit Committee held in the meeting space, Block One, Floor Two, County Hall Morpeth on Wednesday, 25 May 2022 at 10.15 a.m.

PRESENT

S. Watson (Chair, in the Chair)

COUNCILLORS

Cessford, T.
Dale, A.
Grimshaw, L.
Jackson, P.

Oliver, N.
Topping, P.
Wallace, A.

OFFICERS IN ATTENDANCE

Binjal, S.	Monitoring Officer and Interim Director of Governance
Candlish, T.	Group Assurance Manager
Elsdon, A.	Service Director for Finance
Hunter, P.	Senior Service Director
McDonald, K.	Acting Head of Internal Audit and Risk Management
O'Farrell, R.	Acting Deputy Chief Executive and Interim Executive Director of Regeneration
Taylor, M.	Executive Director Wellbeing - Adult Services
Todd, A.	Democratic Services Officer
Willis, J.	Interim Executive Director of Finance and S151 Officer

ALSO IN ATTENDANCE

Waddell, C.	Mazars (External Audit)
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1. MEMBERSHIP AND TERMS OF REFERENCE

The Committee was asked to note the membership and terms of reference as appointed by Council, and the re-election of the Chair and Vice Chair as appointed by Council on 4 May 2022.

8 members (4:2:1 Ind Gp, 1 Min Gp)

Ch.'s Initials.....

Page 1

Quorum – 3 (must be at least 2 opposition members)

Chair: S. Watson

Vice Chair: D. Towns

Conservative	Labour	Independent Group	Liberal Democrats	Green Party	Ind Non-Grouped
T. Cessford	L. Grimshaw	A. Dale	1 vacancy yet to be confirmed		
P. Jackson	A. Wallace				
N. Oliver					
D. Towns					

Also:

2 Independent Members (non-voting) – P. Topping and S. Watson

Statement of purpose

- (1) Our audit committee is a key component of Northumberland County Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- (2) The purpose of our audit committee is to provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Northumberland County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Terms of Reference:

Governance, risk and control

- (1) To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider annual governance reports and assurances.
- (2) To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- (3) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (4) To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- (5) To monitor the effective development and operation of risk management in the Council.
- (6) To monitor progress in addressing risk-related issues reported to the Committee.
- (7) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (8) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

- (9) To monitor the counter-fraud strategy, actions and resources.
- (10) To review the governance and assurance arrangements for significant partnerships and arrangements.

Internal audit

- (1) To approve the internal audit charter.
- (2) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (3) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (4) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (5) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (6) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- (7) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (7) To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
- (9) To consider summaries of specific internal audit reports as requested.
- (10) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (11) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

- (12) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- (13) To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

External audit

- (1) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by the PSAA or the authority's auditor panel as appropriate.
- (2) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- (3) To consider specific reports as agreed with the external auditor.
- (4) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (5) To commission work from internal and external audit.
- (6) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- (1) To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (2) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- (1) To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- (2) To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
- (3) To publish an annual report on the work of the Committee.

The Audit Committee was also designated as the Group Audit Committee for all entities within Northumberland County Council's Accounting Group Boundary. The detailed terms of reference for this function were contained within Part 3 of the Council's Constitution.

RESOLVED that the membership and terms of reference of the Audit Committee for the ensuing year be noted.

2. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor D. Towns.

3. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 23 March 2022, as circulated, be confirmed as a true record and signed by the Chair.

4. MONITORING REPORT / ACTION LOG 2022-23

The Committee was asked to review and note its monitoring report/action log for the 2022/23 council year. (A copy of the report has been filed with the signed minutes).

Councillor Oliver asked if the KPMG report could be published. He reported that the Portfolio Holder for Corporate Services was of the opinion that it should be made available. It was noted that the report had previously been shared with members of the Audit Committee. Councillor Jackson supported this request.

In response the S151 Officer advised that the intention was for the KPMG report to be considered at Audit Committee. The Council's Information Governance Team were looking into whether the full report or a redacted copy of the report would be made available depending on whether it was deemed there was any commercially sensitive data detailed. Once this had been determined then agreement would also need to be sought from Advance Northumberland Board to the publication. Councillor Dale supported this approach.

The Chair agreed that once the appropriate discussions had taken place the KPMG report would be brought to the Audit Committee and hoped that this could happen as soon as possible.

In response to the query regarding Corporation Tax detailed within the action log, the S151 confirmed that the error identified in the NCC Group Account regarding the Farrans claim would probably result in a corporation tax implication however as the accounts for 2020/21 had not been finalised then the exact amount could not be calculated yet.

RESOLVED that the monitoring report/action log be noted.

5. DISCLOSURE OF MEMBERS' INTERESTS

Councillor T. Cessford declared an interest in any matters relating to COVID Business Grants as he had applied for various Council funding in the past.. He advised he would not take part in any debate relating to this.

Councillor L. Grimshaw declared an interest as she previously sat on the Board for Advance Northumberland and the Board of International. She would not take part in any discussion regarding these two matters.

6. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

21-22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control Annual Opinion Report

The purpose of this report was to provide the annual opinion from K. McDonald, Chief Internal Auditor on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, taking into account the expectations of the Council's Leadership Team, Audit Committee and other key stakeholders. (A copy of the report has been filed with the signed minutes).

Mr McDonald highlighted the main points of the report for members.

Councillor Cessford stated that he had previously asked about client views and was disappointed not to see more background detail contained within Appendix B on the feedback forms. In response it was confirmed that there had been 15 client feedback forms received for 2021/22. A feedback form was always issued on the conclusion of every assignment, but unfortunately responses were not always received. The Team was looking at ways to improve responses from clients including the format of the form and the questions asked to hopefully receive more views following completion of work in the future.

Regarding the number of Internal Audit recommendations agreed with management during the 2021/22 compared to those in previous years. The Chair requested an explanation as to why there seemed to be less audit work being carried out. During 2021/22 110 recommendations had been made compared to 245 in 2016/17. In response it was confirmed that there had been larger corporate and strategic pieces of work carried out in recent years which may be the reason for the lower numbers detailed within the report. The COVID pandemic also could have impacted. However, Mr McDonald suggested he look into this and bring back a fuller response for members.

It was noted that the Internal Audit's work performed during 2021/22 found that the County Council's internal systems of control and risk management were satisfactory overall. No 'critical priority' recommendations were made by Internal Audit during the year, and no 'no assurance' audit opinions had been issued or were pending.

However, the County Council had commissioned an independent external governance review which was currently underway. The outcomes from the review were to be presented at an extraordinary meeting of Full Council on 8 June 2022. It was also noted that the S151 Officer had issued a report under Section 114 and 114a of the Local Government Finance Act 1988 on Monday. The S114 and 114a report had been published and scheduled to be considered by Cabinet and then Council on 8 June 2022.

Councillor Oliver comment on the independent review and the S114 report issued and asked if discussions had started to ensure these issues could be prevented in the future.

The Chief Internal Auditor stated there he was unable to draw conclusions on the findings of the independent review or that of the S114/114a report until both reports had been received and considered. Once this had happened work could take place

to examine if there was to be an impact on the wider framework of governance, risk management and control.

The Chair commented that there were processes that needed to be followed with regard to the S114 report but reassured members that the Audit Committee would consider it at their meeting in July.

Councillor Dale drew members' attention to the number of Limited Assurance opinions issued in relation to governance reviews undertaken during the last year which she felt were always a concern for the Council. Regarding the review of the Authority's arrangements for Delivery of Major Capital Projects Councillor Dale queried how many building projects within the last 4 -5 years were looked at as part of the review and raised a concern that the findings stated that there was no corporate project management framework to ensure a corporate and consistent approach for these schemes.

Councillor Dale also commented on the follow-up review of the Authority's Information Governance arrangements retained the limited assurance opinion. The review found that whilst there had been improvements to assist with GDPR compliance, the majority of the recommendations from the original review had not been fully implemented. Councillor Dale asked if an explanation could be provided as to why recommendations from the review had not been fully carried out.

In response to Councillor Dale's questions, it was confirmed that to meet the organisation's objectives there needed to be a consistent approach across all areas reviewed to gain full assurance. Improvements had been seen and it was hoped that many of the recommendations within the reviews reported would be fully implemented soon such as the Information Governance arrangements review. With regard to the number of major capital projects it was confirmed that a sample was taken, but clarification would be provided on this to Councillor Dale.

Councillor Dale reported that it would be of benefit to members if they could be kept informed of the progress made regarding the GDPR compliance work detailed as part of the Information Governance arrangements review.

Councillor Grimshaw commented on the Schools' Financial Value Standard and queried if the recent increases in heating and food prices would impact on schools.

It was reported that the Schools' Financial Value Standard helped provide all grant-maintained schools with assurance that they were meeting the basic standards necessary to achieve a good level of financial health and resource management. However, as part of the program of work for Internal Audit a thematic review across all schools had just been finalised. The review would look for the management of schools' local bank account scheme with the findings being shared to all schools. It was suggested that budgetary controls could be considered when the next theme of work was undertaken.

P. Topping reiterated the comments made about major capital projects particularly the risk if there was a dispute with a contractor following limited assurances identified by Internal Audit. In reply it was confirmed that the department were actively working with Internal Audit to fully implement the recommendations made.

RESOLVED that:-

- a) the Chief Internal Auditor's 2021/22 opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, attached as Appendix 1 be considered and noted; and
- b) this opinion is considered by the organisation when finalising the Annual Governance Statement for this period; and by the Audit Committee, as a source of assurance at the time it considers the Annual Governance Statement.

7. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Key Outcomes from Internal Audit Reports

The purpose of the report was to advise Audit Committee of key outcomes from Internal Audit reports issued. The outcomes statement, summarising the outcomes from Internal Audit reports issued during the period November 2021 – May 2022 was attached to the report as Appendix 1. (A copy of the report has been filed with the signed minutes).

Mr McDonald, Head of Internal Audit and Risk Management highlighted the main points of the report for members.

The Chair welcomed this report which provided information on the level of assurance for each audit, the number of recommendations made (classified according to priority), areas of good practice identified, and main findings.

Councillor Oliver commented on the Revenues and Benefits, Council Tax and Business Rates electronic software and asked if there were any plans to update the IT systems to help departments become more efficient and less reliant on paper.

The Chair commented on the limited assurance on IT network controls which was commented on in the last report and the link to a more general concern on repeated system/network security issues.

J. Willis, Interim Executive Director of Finance and S151 Officer advised all on the plans to replace some of the IT software systems. Initially officers looked at replacing the whole system but due to the complexity and length of time to migrate all data to a new system this was deemed not to be appropriate. The preferred option would be to upgrade to a new browser software which would bring additional functionality as well as addressing some of the operational faults within the current system.

It was reported that the Council was also looking into whether an investment could be made to upgrade all IT systems across departments to integrate and streamline services. This could be achieved by a new customer relation management system. However, the Council only had a limited IT resource with recruitment of skilled IT specialists posing a significant challenge.

Councillor Oliver asked about the updating of information from the valuation office and whether the increase in demand following the COVID 19 pandemic had affected this being completed. It was confirmed this was the case as the business rates team had been heavily deployed in supporting the payment of the initial grants at the beginning of the pandemic.

In response to a question asked by Councillor Dale, it was confirmed that Internal Audit did and continued to help, support and provide advice to schools regarding their budgets and financial procedures.

RESOLVED that the Audit Committee considers the key findings from, good practice identified in, and management action taken in response to the Internal Audit reports issued and other work undertaken by Internal Audit in this period, summarised in Appendix 1 to the report.

8. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Annual Review of Audit Committee Effectiveness

K. McDonald advised all that the Chartered Institute of Public Finance and Accountancy (CIPFA) intended to issue new guidance regarding recommended good practice. It was envisaged that the review of Audit Committee effectiveness be deferred until the new guidance was received.

RESOLVED that the position be noted.

9. REPORT OF THE EXTERNAL AUDITOR

External Audit Progress Report

(A copy of the report has been filed with the signed minutes).

The report provided Audit Committee with:

- an update on progress in delivering the 2020/21 audit and assurance work; and
- a summary of recent relevant reports and publications for information.

C. Waddell from Mazars drew members' attention to the key points of the report, including:

The final engagement for 2020/21 was completed in April 2022, in respect of the housing benefits subsidy return to DWP. Some additional testing was required in respect of errors identified.

Regarding the 2020/21 audit, the work on the financial statements was substantially complete. It was envisaged that the 2020/21 Audit Completion Report be brought to the Audit Committee upon completion of outstanding matters. The matters outstanding were detailed within the report and included:

- group accounts – consideration of assurance from the component auditor, once available, upon completion of the Advance external audit;
- consideration of the outcome from the independent corporate governance review.

There had been significant matters discussed with management in relation to the audit of the financial statements included Group financial statements, Farrans, property, plant and equipment and Pensions. Two identified as areas of

consideration of lawfulness were the disclosure of senior officers' remuneration and exit packages.

It was reported that following the issuing of the Section 114/114a report additional work would be needed to take place regarding the following:

- Disclosure of senior officers' remuneration. For the 19/20 accounts External Audit had issued their opinion on the accounts but not the Value for Money arrangements. The Value for Money conclusion would now need to consider the Section 114/114a report. There could also be the need to include wording within this and the 2019/20 accounts may need to reflect the issuing of the report. An internal process was taking place to ensure the correct procedure was followed in terms of disclosures within the accounts.
- Regarding the wider Value for Money arrangements, it was confirmed the External Auditor was awaiting the outcome following the 8 June Council meeting where it was understood the Solace Independent Review's findings of the Council's Corporate Governance arrangements would be presented. Anything arising from the review would need to be discussed with appropriate officers and potentially the independent review team. However, it was too early to conclusively say what, if any, action would be needed before the outcome of the review.
- Exit packages. Discussions with the Section 151 Officer were taking place about some of the issues that may or may not exist in relation to this business following a review of exit packages over the last two years.

It was proposed to bring the audit completion report to the July meeting along with the plan for 2021/22.

In response to a question posed by Councillor Dale, it was confirmed that any maintained school which converted to a Trust would be shown as a disposal within the Council accounts and would not have an impact on Council Tax.

RESOLVED that the progress report be noted.

10. DATE OF NEXT MEETING

RESOLVED that the next meeting is scheduled for Wednesday, 27 July 2022 at 10.15 am.

11. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item

13, 14, 15 Paragraph 3 of Part 1 of Schedule 12A

Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.

12. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Strategic Audit Plan 2021 22 - Final Monitoring Statement

The purpose of this report was to provide Audit Committee with a final monitoring statement in respect of the Strategic Audit Plan for 2021/22. (A copy of the report has been attached to the signed minutes and coloured pink).

Mr McDonald, Head of Internal Audit and Risk Management drew members' attention to the key points of the report.

RESOLVED that the Audit Committee notes and considers the information set out in the Strategic Audit Plan Final Monitoring Statement, attached as Appendix 1 of the report.

13. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Risk Management Update

The purpose of this report was to provide Audit Committee with an update on progress with the development, implementation and embedding of risk management within the County Council; and to inform Audit Committee of the latest position of the corporate risks following review by Executive Team and Cabinet portfolio holders in April 2022. (A copy of the report has been attached to the signed minutes and coloured pink).

Mr McDonald, Head of Internal Audit and Risk Management highlighted the main points of the report for members.

RESOLVED that the Audit Committee note the contents of the report and agrees that an update will be provided to the next meeting of Audit Committee.

14. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Group Audit Committee - Advance Northumberland Internal Audit Update

The purpose of this report was to update Group Audit Committee on the Chief Internal Auditor's Annual Opinion for 2021/22 on the Framework of Governance, Risk and Control for Advance Northumberland Group of Companies together with the agreed Strategic Audit Plan 2022/23. (A copy of the report has been attached to the signed minutes and coloured pink).

Mr McDonald, Head of Internal Audit and Risk Management drew members' attention to the key points of the report.

RESOLVED that Group Audit Committee:

- a. notes the Chief Internal Auditor's Annual Opinion on the framework of governance, risk management and control for Advance Northumberland Group of Companies, provided at Appendix 1 to the report;
- b. notes the Strategic Audit Plan for 2022/23, provided at Appendix 2 to the report; and,
- c. considers these reports as part of its ongoing evaluation of the framework of governance, risk management and control within Northumberland County Council's accounting group boundary.

CHAIR.....

DATE.....

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

**MONITORING REPORT / ACTION LOG
2022-23**

Stephen Watson, Chair of Audit Committee
E-mail Stephen.Watson03@northumberland.gov.uk

Updated : 17 May 2022

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE ACTION LIST**

Ref	Date	Report	Action	To be actioned by	Outcome
1.	23.03.22	KPMG	Report to be scheduled for discussion at a future meeting of Audit Committee.	Interim Director of Finance and Section 151 Officer (presenting report) Democratic Services Officer (scheduling discussion)	Report scheduled for July 22 Meeting
2.	23.03.22	External Audit Report	Councillor Oliver queried whether the revaluation reserve error in the NCC Group Account would impact on their corporation tax?	Interim Director of Finance and Section 151 Officer to respond.	Waiting for the 2020/21 accounts to be finalised before a full response can be given.
3.					

WORK PROGRAMME

ISSUE
25 May 2022
<u>Internal Audit & Risk Management</u> <ul style="list-style-type: none">• Annual Report from Chief Internal Auditor and Opinion on the Framework of Governance, Risk Management and Control• Key Outcomes from Internal Audit reports raised• 2021/22 Strategic Audit Plan Final Monitoring Statement• Risk Management Update• Annual Review of Audit Committee Effectiveness (deferred from March 22 Meeting)
<u>Corporate Finance</u>
<u>External Audit</u> <ul style="list-style-type: none">• <u>Update Report</u>
<u>Group Audit Committee</u> <ul style="list-style-type: none">• Update Report
27 July 2022
<u>Internal Audit & Risk Management</u> <ul style="list-style-type: none">• Internal Audit Charter• Risk Management Update
<u>Corporate Finance</u> <ul style="list-style-type: none">• FPS Local Pension Board Annual Report

- KPMG Forensic Independent Review of Advance Northumberland Group
- S114 Report by the S151 Officer

External Audit

- Update on 2020-21 Audit of the 2020-21 Statement of Accounts

Education and Safeguarding Performance

- Review of External Inspection Reports

Group Audit Committee

- Update Report

28 September 2022

Internal Audit & Risk Management

Corporate Finance

- NCC Statement of Accounts 2021-22 – Update
- Draft Annual Governance Statement 2021-22 **subject to completion of 2020-21 statement (deferred from July 22 Meeting)*
- Annual Treasury Management (year-end) Report (deferred from July 22 Meeting)
- Northumberland County Council – Consideration of ‘Going Concern Status’ for the Statement of Accounts for the year ended 31 March 2022 (deferred from May 22 Meeting)
- New Position Statement on Audit Committees (deferred from July 22 Meeting)
- Annual Governance Statement 2020-21 ** subject to completion of external audit (deferred from May 22 Meeting)*
- Statement of Accounts 2020-21 ** subject to completion of external audit (deferred from May 22 Meeting)*

External Audit

- Auditor’s Annual Report 2020-21
- Audit Progress Report

- Annual Audit Letter 2019-20 **subject to completion of external audit*
- Audit Strategy Memorandum 2021-22 (deferred from March 22 Meeting)
- Audit Completion Report 2020-21 * *subject to completion of external audit* (deferred from May 22 Meeting)

Counter Fraud Team

- Counter Fraud Annual Report

Group Audit Committee

- Update Report

30 November 2022

Internal Audit & Risk Management

- Key Outcomes from Internal Audit Assignments
- Strategic Audit Plan Monitoring Report
- Risk Management Update Report

Corporate Finance

- NCC Statement of Accounts 2021-22
- Treasury Management In-year Update Report

External Audit

- Final Audit Completion Report 2021-22
- Annual Audit Letter 2021-22

Group Audit Committee

- Update Report

25 January 2023

Internal Audit & Risk Management

- Approach to preparing the Strategic Audit Plan 2023-24

Corporate Finance

- Statement of Accounts 2022-23 - Timetable and Policies
- Changes to Code of Practice for 2022-23
- Treasury Management Strategy Statement for the Financial Year 2023-24

External Audit

- Audit Strategy Memorandum 2022-23
- Audit Progress Report

Education and Safeguarding Performance

- Review of External Inspection Reports

Group Audit Committee

- Update Report

29 March 2023Internal Audit & Risk Management

- Strategic Audit Plan 2023-24
- Annual Audit Committee Work Programme
- Annual Review of Audit Committee Effectiveness

Corporate Finance

- Group Boundary Review 2022-23

External Audit

- Audit Progress Report

Counter Fraud Team

- Counter Fraud Update

Group Audit Committee

- Update Report

MEETING DATE TO BE CONFIRMED

£



Northumberland County Council

AUDIT COMMITTEE

27 July 2022

KPMG Forensic Independent Review of Advance Northumberland Group Report of Jan Willis, Interim Executive Director of Finance (S151 Officer)

Purpose of report

To inform the Committee of issues arising from the KPMG forensic independent review of the Advance Northumberland Group.

Recommendations

Audit Committee are asked to note the contents of the KPMG report and consider this as part of its ongoing evaluation of the framework of governance, risk management and control within Northumberland County Council's accounting group boundary.

Link to Corporate Plan

This report is relevant to ensuring the best value priority in the Council's Corporate Plan 2021-2024.

Key issues

In discharging its best value duty, the Council must demonstrate that effective and appropriate governance arrangements are in place for its wholly owned companies to support probity and effective stewardship of public funds.

The KPMG report provides evidence to support the Committee's assessment of the adequacy of standards of governance at Advance Northumberland Ltd and its subsidiary companies.

Background

On 29 June 2017, Internal Audit was asked by the Interim Chief Executive of Northumberland County Council and the Interim Chief Executive of Arch Group of Companies to undertake an audit of five distinct aspects of Arch's operations, namely Consultants and Contractors; Employees; Property and Portfolio; Hospitality and Gifts; and Award of Major Contracts.

Internal Audit fieldwork within the Arch company began on 3 July 2017 under the supervision of the Chief Internal Auditor. During the course of this work several specific

concerns were passed to Internal Audit regarding Arch's activities and were included within the scope of the audit.

The final audit report issued in October 2017 (Internal Audit Final Report – Review of Arch Arrangements) expressed serious concerns about the governance of the company and identified a number of areas in which procedures needed to be strengthened to ensure effective and appropriate stewardship of public funds and protect the interests of both the company and NCC as shareholder.

During 2018, the Arch group of companies was dissolved and Advance Northumberland Ltd established as a wholly owned successor company. At the time of Advance being established, the operating activities, the systems and many of the staff were transferred from Arch into the new company, Advance.

In November 2020 KPMG were commissioned to undertake an independent review of governance arrangements at the Advance Northumberland group of companies and whether these were appropriate for an organisation of this size and nature. The agreed terms of reference for the review included 11 specific lines of enquiry, including one property transaction dating to 2016, prior to the establishment of Advance Northumberland Ltd, which had previously been referred to Northumbria Police for investigation. It should be noted that the engagement was carried out remotely during the period November 2020 to February 2021 due to covid restrictions which limited access to personnel and documentation.

The final KPMG report issued in March 2021 has previously been circulated on a confidential basis to members of the Audit Committee.

KPMG's overall conclusion is that whilst they did not find evidence of detailed, documented processes and procedures for each of the areas examined, the individuals involved in the various activities did appear to follow a reasonably well-defined process. Where required, these informal processes included the preparation of business plans or monthly reports and other records, such as key performance indicators, which were discussed in formalised meetings attended by a range of individuals from within Advance Northumberland and, in some cases, representatives of Northumberland County Council.

KPMG also observed that there had been an improvement in the level of detail recorded within the Board minutes documented by the Advance management team, when compared with that captured whilst the business was operating under Arch's management, including more detailed performance updates and specific performance indicators in accordance with the Operating Agreement. However, in some areas, they had found it difficult to evaluate whether the appropriate level of governance had been applied due to the lack of detail recorded in relation to discussion of specific issues.

The report does not identify any significant areas of concern with regard to the completeness of property asset records. However, property titles in Land Registry records did not always map to descriptions in the Advance accounts and KPMG had to rely on explanations provided by the CFO. This is an area where KPMG recommend that further improvement is made to enhance traceability and ensure there is a clear audit trail back to Land Registry records. The lack of a disclosure note in relation to one related party property transaction in the Arch accounts for the year ending March 2017 is also noted,

however this transaction occurred prior to the establishment of Advance Northumberland Ltd.

In respect of HR practices, action taken by Advance Northumberland to formalise and strengthen processes and procedures is acknowledged, whilst noting that with regard to the employment of consultants, internal promotions and pay rises, adequate documentation to support decisions or actions taken was not available in all cases. Recommendations are made to strengthen processes for checking tax and NIC treatment, travel and subsistence claims and benefits in kind paid via the purchase ledger to ensure that they are correct and properly reported.

The report does not identify any inaccuracies in the recording of legal costs relating to conveyancing and concludes that arrangements for payment of stamp duty land tax have been correctly applied.

Regarding the purchase and disposal of property KPMG conclude that there is a process which is consistently followed but this is largely informal. They recommend that action is taken to ensure that procedures and key decisions are properly documented and evidence of approvals at each stage retained in all cases to enable good governance to be demonstrated.

The Committee are invited to consider and comment on the contents of the report and to note that governance weaknesses identified by KPMG will be referred to the Advance Audit Committee for follow up as part of their annual work programme and the outcomes reported back to this Committee in due course.

Implications

Policy	Corporate governance arrangements are key to all that the Council and its wholly owned companies does. Delivering the Council's policy priorities must take place within a framework of effective governance arrangements.
Finance and value for money	In discharging its best value duty, the Council must demonstrate that effective and appropriate governance arrangements are in place for its wholly owned companies to support probity and effective stewardship of public funds.
Legal	None
Procurement	None
Human Resources	None
Property	None
Equalities	Not applicable

(Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	
Risk Assessment	None
Crime & Disorder	None
Customer Consideration	None
Carbon reduction	None
Health and Wellbeing	None
Wards	All

Background papers:

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Rick O'Farrell
Portfolio Holder(s)	N/A

Author and Contact Details

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 Email: jan.willis@northumberland.gov.uk



Northumberland County Council

AUDIT COMMITTEE

27 July 2022

S114 Report by the S151 Officer

Report of Jan Willis, Interim Executive Director of Finance and S151 Officer

Purpose of report

To update the Committee on actions being taken in response to the S114 Report issued by the S151 Officer on 23 May 2022 and seek the Committee's approval of the draft terms of reference for an independent investigation into the circumstances that have given rise to unlawful trading activities.

Recommendations

Audit Committee are asked to

1. Receive and provide comment and, if appropriate, add to the actions, as set out within the body of this report, that are being taken to address the issues raised in the S114 report.
2. Endorse the draft terms of reference for the independent investigation into the circumstances that have given rise to unlawful trading activities and the unlawful payment of an international allowance to the Chief Executive as set out in Appendix 1.

Link to Corporate Plan

This report is relevant to ensuring the best value priority in the Council's Corporate Plan 2021-2024.

Key issues

In discharging its best value duty, the Council must demonstrate that effective and appropriate governance arrangements are in place to support lawfulness, probity and effective stewardship of public funds and that appropriate learning takes place when governance failures are identified.

Background

On 23 May 2022 I issued a report under SS114 and 114A of the Local Government Finance Act 1988 informing members that in my view the Council had incurred items of unlawful expenditure.

The items of unlawful expenditure that were the subject of this report concern the following matters:

First, that the County Council participated (alongside the Northumbria Healthcare NHS Foundation Trust –referred to in this report as ‘the NHCT’) as a principal in the Northumbria International Alliance (NIA). This was an unincorporated partnership established to provide international consultancy services for a commercial purpose. NIA traded commercially from at least 2018 to 2021 and did so otherwise than through a company with all of the related income and expenditure being recorded in the Council’s accounts. This is a breach of Section 4(2) of the Localism Act 2011.

Second, that the County Council made and continues to make payment of a special “international allowance” of £40,000 per annum to the Chief Executive without proper authorisation and in contravention of the Council’s pay policy statements. This is a breach of Section 41 of the Localism Act 2011 and s112(2A) of the Local Government Act 1972.

My report was considered by Cabinet on 7 June 2022 and by County Council on 8 June 2022.

In relation to trading for a commercial purpose, which is an executive matter, the following recommendations were unanimously agreed by Cabinet:

1. Agree that Audit Committee be requested to commission a full, independent investigation into the circumstances that gave rise to the unlawful trading activities.
2. Note that the Chief Finance Officer will revise finance and contract procedure rules to strengthen control and oversight of commercial trading activities and issue updated guidance on the requirements relating to trading accounts for such activities.
3. Note that the chief finance officer in consultation with the Monitoring Officer will undertake a review of the Council’s commercial activities to ensure that they are taking place on a lawful basis and issue further formal guidance as appropriate.
4. Note that the Chief Finance Officer will commission further advice and consult the external auditor with regard to any disclosures and/or adjustments that may be required to the Council’s statement of accounts for 2020/21 and prior years, in respect of income and expenditure relating to international consultancy contracts between 2018 and 2021, or as between the Council and the NHCT.
5. Note that the Chief Finance Officer will consider whether, and if so what, disclosures should be made to HMRC in relation to corporation tax or other liabilities.

Cabinet further resolved to refer to the Employment (Appeals) Committee (EAC) of the Council the question of who knew what, when and why the professional advice received in 2019 to form a company was not acted upon, noting that it will be for the EAC to form a view as to whether there is any question of discipline or capability relating to any officer (or former officer) of the Council which requires investigation, disciplinary or other action and that should the EAC determine that there may have been misconduct by any member of the Council, it will be for the EAC to make an appropriate reference under the Member Code of Conduct, in accordance with the Council’s arrangements.

Regarding the payment of the international allowance to the Chief Executive (and previously to the Deputy Chief Executive) from 2017, Council unanimously agreed the following recommendations:

1. Note that payment of the international allowance has been stopped from the date of this report as a result of the prohibition period provisions in the Local Government Finance Act.
2. Agree that payment of the International Allowance will remain suspended pending consideration of further legal advice with regard to potential recovery of unlawful

- payments and any related issues by the Staff and Appointments Committee and any recommendations arising being reported to County Council for consideration.
3. Note that legal and (if necessary) actuarial advice will be taken regarding any potential adjustment of pension contributions made to the Local Government Pension Scheme in relation to the International Allowance.
 4. Note that the Chief Finance Officer will undertake further investigation to establish whether any other unlawful payments have been made to any officers or former officers, including severance payments, which may require further reports under S114 of the Local Government Finance Act 1988.
 5. Instruct the Director of HR in consultation with the Chief Finance Officer and Monitoring Officer to review the Council's pay policy statement to ensure that it is up to date and complies with the requirements of s38 of the Localism Act 2011 and report any required changes to the County Council.

Council further resolved to:

- a) convene a meeting of the Staff and Appointments Committee to take place within 14 days, to consider the contents of the Statutory Report in relation to the payment of the International Allowance and the matters referred to it in the recommendations of the Chief Finance Officer; and
- B) to convene a meeting of the Employment (Appeals) Committee (EAC) to take place within 14 days, to commence consideration of who knew what, when and whether any grounds exist to take disciplinary, capability or other action in relation to any officer or former officer of the Council, or whether there are circumstances relating to Elected Members to be referred for consideration under the Council's Code of Conduct for Members arising from the circumstances set out in the Statutory Report.

Since my report was considered and approved by Cabinet and County Council the following progress has been made in implementing the agreed recommendations:

1. Draft terms of reference for an independent investigation into the circumstances that gave rise to the unlawful trading activities and the unlawful payment of an international allowance to the Chief Executive are attached at Appendix 1. The Committee is invited to endorse these.
2. Revisions to finance and contract procedure rules and updated guidance in respect of commercial trading activities are being drafted by the finance team.
3. A review of commercial trading activities to ensure that they are taking place on a lawful basis is in train.
4. Officers are in discussion with the external auditor regarding disclosures and/or amendments that are required to the 2020/21 accounts and prior years.
5. Further advice is being sought from specialist tax advisers on whether disclosures should be made to HMRC in relation to corporation tax or other liabilities.
6. Payment of the Chief Executive's international allowance remains suspended pending consideration by the Staff and Appointments Committee of further legal advice from Nigel Giffin QC regarding recovery of unlawful payments and related issues.
7. Actuarial advice has been commissioned from AON, actuaries to the Tyne and Wear Pension Fund and revised pension contributions and benefits estimates are being calculated.

8. Internal audit are currently reviewing all exit payments to senior officers and all exit payments over £100k from 2017 onwards.
9. The Pay Policy Statement has been updated to ensure compliance with the requirements of the Localism Act 2011 and will presented to full Council for approval at its September 2022 meeting.
10. In accordance with the resolutions of Cabinet (held on 7th June 2022 and full Council (held on the 8th June 2022), the Council's Employment Appeals Committee (EAC) met on the on the 20th June 2022 to determine next steps in relation to unlawful payments. The Committee resolved to note that in relation to Officers, former Officers and Members, the Audit Committee would be asked to commence a wider investigation and that the EAC will consider the findings of that process and the extent to which if at all, further action within the remit of EAC is required.

The Committee is invited to comment on and, if appropriate, add to the actions being taken to address the issues arising from the S114 report and to note that a further progress report will be brought to the September 2022 meeting.

Implications

Policy	None
Finance and value for money	There will be costs associated with the independent investigation into unlawful trading activities, commissioning of specialist actuarial and tax advice and additional audit capacity. Until the scope of this further work is more clearly defined it is not possible to estimate these costs with any precision, however at this stage they are not expected to exceed £100,000. Contingency funding is available to cover these costs.
Legal	<p>The recommendations fall within the remit and functions of the Audit Committee as per the Council's Constitution.</p> <p>The Council's Chief Finance Officer is appointed under Section 151 of the Local Government Act 1972.</p> <p>Sections 114 and 114A of the Local Government Finance Act 1988 requires, the S151 officer to make a report if it appears to that the authority, a committee of the authority, or any person holding any office or employment under the authority:</p> <p>(a) has made or is about to make a decision which involves or would involve the authority incurring expenditure which is unlawful;</p> <p>(b) has taken or is about to take a course of action which, if pursued to its conclusions, would be unlawful and likely to cause a loss or deficiency on the part of the authority; or</p> <p>(c) is about to enter an item of account the entry of which is unlawful.</p>

	<p>It is the obligation of the Council (and the Cabinet in relation to executive responsibilities) to consider this report within 21 days of the date it is sent to members.</p> <p>Accordingly, Cabinet on the 7th June 2022 on full Council the 8th June 2022, respectively resolved to refer the outcomes of the S114/S114A to be considered by the Council's Audit Committee.</p> <p>In addition to the above, on the 20th June 2022, the Council's Employment Appeals Committee resolved to note that in relation to other Officers, former Officers and Members, the Audit Committee was being asked to commence a wider investigation and that EAC would consider the findings of that process and the extent to which if at all, further action within the remit of that Committee was required.</p>
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	Not applicable
Risk Assessment	None
Crime & Disorder	None
Customer Consideration	None
Carbon reduction	None
Health and Wellbeing	None
Wards	All

Background papers:

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Full Name of Officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Rick O'Farrell
Portfolio Holder(s)	N/A

Author and Contact Details

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Appendix 1

International Consultancy

Draft Terms of Reference for Independent Investigation Into Unlawful Trading

To undertake an independent investigation into the circumstances that gave rise to unlawful commercial trading between 2017 and 2021 as detailed in the S114 report issued by the Council's S151 Officer on 23 May 2022.

A written report is required by 10 September 2022.

with specific reference to the following:

1. What was the original basis of the agreement to participate with Northumbria Healthcare Foundation Trust in the Northumbria International Alliance? Who authorised this?
2. How, when, and why did the arrangement change and who authorised this?
3. How was advice regarding the legal basis for these commercial trading activities commissioned and what involvement did the NCC legal team have in this?
4. What advice was given, or concerns raised by the statutory officers, NCC legal team and others regarding the lawfulness of the activity and what evidence is there that these were acted upon?
5. What management controls over commercial trading activities were in place over this period and how were they overridden, and the 3 lines of defence circumvented? What steps need to be taken to ensure that this cannot happen again?
6. Did the international business make a profit and if so, how was this shared between NCC and NHCFT?
7. Was the financial position accurately reported to members?
8. On what basis was the Chief Executive paid an international allowance from 2017? Did the NHCFT or the CCG pay a similar allowance at any point prior to December 2017?
9. Who approved travel expenses incurred in relation to the international business by the Chief Executive and other officers and members? Were these reasonable and proportionate and did they comply with the NCC business travel policy in force at the time?

The investigation will also seek to understand whether the council's processes for ensuring commercial trading activities are undertaken on a lawful basis and subject to appropriate oversight and reporting are fit for purpose and identify where they fall short of both standard and best practice.

The initial investigation should report within four weeks and may make recommendations for any immediate action and areas where further work is required to address performance or conduct issues. The investigation will be led by an external investigator for independence.

The outcome from the investigation will be reported to the Audit Committee at its meeting on 28 September 2022.



Northumberland County Council

COMMITTEE: AUDIT COMMITTEE

DATE: 27TH JULY 2022

Review Of External Inspection Reports – Adult & Children’s Services

Report of Audrey Kingham and Graham Reiter, Joint Interim Directors of Children’s Services and Neil Bradley, Director of Adult Social Care

Cabinet Members: Councillors Wendy Pattison and Guy Renner-Thompson

1. Purpose of Report

To inform members of the activity pertaining to Adults Social Care and Children’s Services regarding external inspections and associated actions. This covers the period from 1st January 2022 to 30th June 2022.

2. Recommendations

The Committee is recommended:

1. To acknowledge the findings.
2. To assess the effectiveness of the scrutiny arrangements.

3. Link to Corporate Plan

This report relates to the Living, Learning and Tackling Inequalities elements of the Corporate Plan.

4. Key issues

1. 84.9% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of June 2022, a decline on the position in the last report (January 2022). The Care Quality Commission (CQC) is developing its monitoring approach.
2. Inspections of children’s residential homes have continued and there have been two inspections during the period. Publication of one report is awaited, the other has been released and saw a home previously judged

to be Requires Improvement move to Good.

3. Inspections of schools recommenced in the summer term of 2021 and the findings have been positive overall, leading to an increase in the proportion judged Good or Outstanding in both the primary and secondary sectors (92% and 77%, respectively).
4. Inspections of early years providers continue, and the vast majority are judged to be Good or Outstanding (97%), similar to the national average.
5. The local authority along with health partners participated in a pilot of the new special educational needs and disabilities (SEND) inspection framework in March. The feedback was positive.

5. Background

The report focuses on inspection activity undertaken by the CQC and Ofsted between January and June 2022.

5.1 Adult Social Care CQC inspection status

84.9% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of June 2022, compared to 87.3% at the end of December 2021.

The table below describes the new registration and published inspection activity that has taken place between January and June 2022. It provides the detail of what settings / services have been inspected so that members can see where the changes have taken place. Where ratings have deteriorated from Good to Requires Improvement, the local authority is working with the management of the settings to implement the actions required.

There are a number of reasons for the reduction in quality ratings and officers consider the current difficulties in recruiting and retaining staff are having an impact on services. Other reasons for the deterioration in rating include administration of medication, care planning and infection control. In working with providers to improve services, council officers support in compiling and executing improvement action plans and are able to work with other partners such as the NHS who offer specialist support on infection control and the administration of medication.

CQC-registered locations in Northumberland - newly registered or with an inspection published Jan-Jun 2022

Rating Status	Location Name	Location Primary Inspection Category	Location Latest Overall Rating (July 2022)	Location Overall Rating (January 2022)
Changed	Miracle Care Centre NLHC	Community based adult social care services	Good	
Changed	Ashington Grange	Residential social care	Good	Requires improvement
Changed	Helping Hands - East Northumberland	Community based adult social care services	Good	Requires improvement
Changed	South Quay Care Home	Residential social care	Good	Requires improvement
Changed	Beachville West End	Residential social care	Requires improvement	Good
Changed	Haydon View Residential Home	Residential social care	Requires improvement	Good
Changed	Hartford Court	Residential social care	Requires improvement	Good
Changed	Woodhorn Park	Residential social care	Requires improvement	Good
Changed	Ponteland Manor Care Home	Residential social care	Requires improvement	Good
Changed	Crofton Court	Residential social care	Requires improvement	Good
Changed	Red Brick House	Residential social care	Requires improvement	Good
Reregistered	Beresford Lodge Residential Care Home	Residential social care	Not yet rated	Good
Newly published	Positive Support For You CIC	Community based adult social care services	Good	
Newly published	Beech Tree House	Residential social care	Good	
Newly published	Prioritising People's Lives - Alnwick	Community based adult social care services	Good	
Newly published	Home Instead Tyne Valley	Community based adult social care services	Good	
Newly registered	Best Options Agency	Community based adult social care services	Not yet rated	
Newly registered	Brightside Supported Living Services	Community based adult social care services	Not yet rated	
Newly registered	Lifeways Community Care (North of the Tyne)	Community based adult social care services	Not yet rated	
Newly registered	Sphere Specialist Healthcare	Community based adult social care services	Not yet rated	
Newly registered	The Willows Home Care North East	Unspecified	Not yet rated	
Deregistered	Overstone Retirement Home Limited	Residential social care		Good
Unchanged	Careline Berwick	Community based adult social care services	Good	Good
Unchanged	La Cura House	Residential social care	Good	Good
Unchanged	Thomas Knight Care Home	Residential social care	Good	Good
Unchanged	South Bebside Care Home	Residential social care	Good	Good
Unchanged	The Grange Nursing Home	Residential social care	Requires improvement	Requires improvement
Unchanged	Tweedmouth House	Residential social care	Requires improvement	Requires improvement

Source: CQC Active Locations register dated 01 July 2022/ 05 January 2022
(available at <https://www.cqc.org.uk/about-us/transparency/using-cqc-data#directory>)

The Wansbeck Supported Living Service (Hatfield Chase) have received an inspection by CQC on 15th June 2022 and the draft report is still awaited.

As part of the CQC's approach for inspecting services that provide supported living for people with a learning disability and autistic people, they will be asking some additional questions to obtain a more complete picture of the safety and quality of supported living services for people. This will be done at the same time as the inspection, but the findings will not be used to inform the inspection report or ratings (Hatfield Chase have consented to be part of this process). The findings of these questions will form a CQC independent voice product which aims to encourage improvement through the creation, publication and dissemination of information and insight about the quality of health and social care.

During their inspections, CQC will seek to improve how they inspect services using their existing published methodology. They will be exploring how they can gather more up to date information from stakeholders and other regulators prior to and at the time of inspection. This will include inspectors contacting relevant stakeholders and other regulators for their feedback with the suggestion that if required that other regulators conduct their own assessments around the time of the inspection to ensure an up to date and current holistic view of the service is understood. These assessments from other regulators are voluntary for them to undertake. They will also use appropriate specialist teams, advisors, and experts by experience to undertake the inspection.

During their assessments and inspections of providers, CQC regularly look to see if staff are working with people appropriately, and if not, they consider what training and support has been provided to them to ensure their understanding. From 1 July 2022, all health and social care providers registered with CQC must ensure that their staff receive training in how to interact appropriately with people with a learning disability and autistic people, at a level appropriate to their role. This new legal requirement is introduced by the Health and Care Act 2022. The government is required to consult on and publish a Code of Practice for this and they anticipate that the publication of the Code of Practice may take at least 12 months. CQC will provide statutory guidance while the Code of Practice is being developed and they have now updated their statutory guidance for Regulation 18 which is available on their website to reflect this requirement.

From the 1 July, CQC will also look at whether providers have assessed the competencies of their staff following the training. In line with current inspection procedures, they will not be looking at what the training itself has involved.

5.2 Children's Services

This report features several types of Ofsted activity in Children's services: notably the Council's residential homes for children; schools; early years provision and the pilot inspection of special educational needs and disabilities (SEND). February's FACS meeting received a report providing an overview of all the inspections and external scrutiny that Children's Services is subject to. The report is available [here](#).

It is anticipated that the next activity under the Inspection of Local Authority Children's Services framework (ILACS) will be in the form of a focused visit which will look at a particular aspect of children's social work. Five days' notice is provided in advance of a two-day visit. The Youth Justice Service is also expecting its inspection this year, for which Her Majesty's inspectorate of Probation (HMIP) provides five weeks' notice.

5.2.1 Children's residential homes

Inspections of children's residential homes have continued and there have been two inspections during the period 1st January – 30th June 2022. They involved Phoenix House and Coanwood in June. Publication of the Coanwood report is awaited, whilst that for Phoenix House has been released and saw it move from Requires Improvement to Good. All other local authority residential provision for children is currently judged by Ofsted to be either Outstanding or Good. Should the publication of the Coanwood report take place prior to the committee meeting date, elected members will be informed of Ofsted's judgement at the meeting itself. There is a centrally held plan that monitors actions arising from inspections.

5.2.2 Schools

Ofsted resumed graded school inspections in the summer term of 2021. In 2022, 8 schools were inspected in the spring term and 9 inspected in the summer term thus far.

Primary/First schools:

- Longhorsley Primary School continues to be Good
- Morpeth Road Academy moved from Good to Outstanding
- Beaufront First School moved from Outstanding to Good
- Hexham First School remains a Good school

The overall figure for the percentage of first/primary schools judged by Ofsted as Good or Outstanding was 92% at the end of June 2022, which is above the national average of 88%. This equates to 112 / 122 schools.

Secondary/High schools:

- Newminster Middle School moved from Requires Improvement to Good
- NCEA Duke's Secondary School was deemed to be Taking Effective Action
- St Benet Biscop Catholic Academy was deemed to be Taking Effective Action
- Ashington Academy was deemed to be Good
- Cramlington Learning Village continues to be a Good school

We await the publication of reports for 8 other schools.

The overall figure for the percentage of middle/secondary/high schools judged by Ofsted as Good or Outstanding improved from 70% at the end of December 2021 to 77% at the end of June 2022, which is just below the national average of 78%. The figure of 77% equates to 23 / 30 schools.

The overall figure for the percentage of special schools judged by Ofsted as Good or Outstanding was 78% at the end of June 2022. The figure of 78% equates to 7 / 9 schools (including the Pupil Referral Unit). Cleaswell Hill school was inspected in June 2022, and the report is awaiting publication.

Academies are not in the control of the Local Authority and therefore the LA cannot intervene easily to drive forward improvement. However, we offer the same level of support to academies as maintained schools should they wish to accept it.

A report on the impact of the local authority School Improvement team recently went to the Family and Children's Overview and Scrutiny Committee (FACS) and it demonstrated the improvements that have been made in supporting school performance since the focused visit in 2013. The presentation that accompanied that report can be found [here](#).

The Council commissions School Improvement Partners (SIPs) to monitor and challenge schools, one of the products being a termly SIP visit report which includes what judgement they conclude the school would receive if they were inspected at that point.

Reports for Northumberland schools who have been inspected since September 2021 are available [here](#).

5.2.3 Early Years

21 Ofsted inspections of childcare settings in Northumberland were carried out between 1st January and 30th June 2022. Of these, eleven were inspections of childminding settings, ten of which received a Good grading and one was judged as met. Ten private, voluntary or independent (PVI) group settings were inspected, five gaining Good, three compliant, one met and one Inadequate. All settings receiving a less than Good outcome are visited by the Early Years Team to address issues. An Inadequate judgement means the setting is in breach of their funded hours contract and there will be no more funded children admitted until the grade has improved. Currently 97% of early years provision is graded as being Good or Outstanding, and this is similar to the latest all-England figure of 98% (Ofsted, September 2021).

5.2.4 SEND Pilot Inspection

The local authority along with health partners participated in a pilot of the new special educational needs and disabilities inspection framework in March 2022. The feedback was positive and was reported to FACS recently.

The conclusion reached from having participated in the pilot was that:

“Agreeing to be part of the pilot phase of the SEND Inspection framework has provided external scrutiny of the partnership and strategic direction of delivering support to children, young people and their families with SEND in Northumberland. This has been invaluable learning and provided a positive sense check one year on from the SEND Revisit. The recent Government papers positively align with our strategic direction, confirming that the steps already taken by the SEND Partnership are finely tuned with the national direction of travel.

The report can be found [here](#).

6. Implications

Policy	Raising standards in social care and education are Council priorities.
Finance and value for money	None
Legal	<p>Inspections are carried out under the legislative framework set out in:</p> <ul style="list-style-type: none"> • For educational provisions section 5 of the Education Act 2005, section 125 of the Education and Inspections Act 2006, and Childcare Act 2006. • For Adult Social Care under the Care Quality Commission regulatory framework. • For Children’s Social Care under the Inspecting Local Authority Children’s Services (ILACS) regulatory framework.
Procurement	None
Human Resources	Regulatory inspections assess compliance with HR policies.
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A x	N/A. No groups could be disadvantaged as a result of this report.
Risk Assessment	Audit Committee reviewing a schedule of incoming inspection reports mitigates the risk of the Council not taking appropriate action in respect of such issues.
Crime & Disorder	None.
Customer Consideration	Ensuring that external inspections are properly followed up provides assurance that service weaknesses are being addressed.
Carbon reduction	More meetings are taking place virtually and hence the need to travel is less.
Health and well being	Inspections take health and wellbeing into account when making judgements about their findings.
Wards	All

7. Background Papers

None

8. Report Sign Off

Monitoring Officer / Legal	Suki Binjal
Executive Director Finance & Section 151 Officer	Jan Willis
Director of Adult Social Care	Neil Bradley
Joint Directors of Children's Services	Graham Reiter/Audrey Kingham
Chief Executive	Rick O'Farrell (Acting Deputy Chief Executive)
Portfolio Holder(s)	Cllr Wendy Pattison/Cllr Guy Renner-Thompson

9. Author and Contact Details

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**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE 27 JULY 2022**

**DRAFT ANNUAL REPORT OF THE
FIREFIGHTERS' PENSION SCHEME
LOCAL PENSION BOARD
2021-2022**

1. Introduction

This is the annual report of the Northumberland County Council Firefighters' Pension Scheme (FPS) Local Pension Board ("the Board"), which was constituted in 2015 as part of changes introduced by the Public Service Pensions Act 2013. It is the intent of the Board to use the annual report to inform the **Scheme Manager** (i.e. NCC's S151 Officer in consultation with the Chief Fire Officer) of NCC's data on FPS membership, statement of accounts, and issues progressed through the Internal Disputes Resolution Procedure (IDRP) and Fire Disputes Panel.

2. Membership and attendance

During 2021/22 the Board had the following members:

Chair	Stephen Richards	(FPS Member Representative)
Member	Guy Tiffin	(FPS Member Representative)
Member	Councillor Nick Oliver	(Employer Representative) <i>Until October 2021</i>
Member	Councillor Peter Jackson	(Employer Representative) <i>Until October 2021</i>
Member	Councillor John Beynon	(Employer Representative) <i>From November 2021</i>
Member	Councillor Malcolm Robinson	(Employer Representative) <i>From November 2021</i>

Attendance	22 July 2021	8 December 2021	25 January 2022	3 May 2022
Stephen Richards	✓	✓	✓	✓
Guy Tiffin	x	✓	✓	x
Councillor Nick Oliver	✓		Resigned October 2021	
Councillor Peter Jackson	x		Resigned October 2021	
Councillor John Beynon	Appointed November 2021	✓	✓	✓
Councillor Malcolm Robinson	Appointed November 2021	x	✓	✓

For quorum, at least one member representative and at least one employer representative must be present.

NCC transferred its FPS administration service to West Yorkshire Pension Fund (WYPF) in March 2018. Helen Scargill, Client Relationship Manager at WYPF, or a substitute, has attended Board meetings in 2021/22 to provide information.

3. Purpose

The purpose of the Board is set out in the Board's Terms of Reference and described at the initial Board meeting as follows:

- The Board has a monitoring role in the IDRPs and the Fire Disputes Panel processes. It aims to identify repeat patterns of complaints taken through these processes.
- The Board receives reports on membership of the Scheme.
- The Board receives reports on the statement of accounts to monitor the level of the Annually Managed Expenditure grant.
- The Board monitors, via LGA bulletins and officer reports, changes to central Government policy and intent with regard to pensions.

The Board tracks these issues over time and reports to the Scheme Manager, annually. The Board Chair holds a meeting, annually, with the Scheme Manager or his/her appointed deputy.

The Board recognises that it is not responsible for the day-to-day management of NCC's FPS administration nor does it perform the role of arbiter in disputes. Its role is to **assist** the Scheme Manager and it is **not a decision making** body.

4. Progress

4.1 The following matters have been discussed by the Board in 2021/22:

- The Home Office's informal guidance on Immediate Detriment ("ID") and the implications for NCC. This guidance was first issued in August 2020, revised in June 2021, and then withdrawn in November 2021. The LGA/FBU joint Framework on ID, issued in October 2021, was intended to provide a structure for FRAs to implement the Home Office guidance on ID, but it was in the process of being revised at the time of finalising this report.
- NCC's approach to implementing ID for its retiring FPS members, together with the reasons for taking that approach and an explanation of the risks involved.
- Updates on the Deputy Section 151 Officer's monitoring of NCC's Payroll Section following errors made in August 2020 (which were later corrected) relating to the pensionable pay notified to WYPF for three FPS members.
- Updates on the government's plans to remove age discrimination (known as **McCloud/Sargeant**) from the FPS and the implications for the Scheme Manager and administrator. **Prospective** discrimination was removed by legislation introduced in the year for future benefits built up from 1 April 2022. Age discrimination will be removed **retrospectively** for benefits built up during the period of discrimination from 1 April 2015 to 31 March 2022, with legislation expected in 2023.
- Government proposals to remove discrimination against part-time firefighters (known as the **Matthews second options exercise**) and the implications for the Scheme Manager and administrator.

- The Firefighters' Pension Scheme Advisory Board's self-assessment survey to assess FRAs' readiness for the challenges posed by the McCloud/Sargeant work and the Matthews second options exercise.
- Following changes to the NCC Constitution, the updated
 - NCC FPS Governance Statement,
 - Terms of Reference for the NCC FPS Board, and
 - NCC FPS Conflicts Policy.
- WYPF delivery of the FPS administration service during 2021/22 under COVID-19 lockdown restrictions.
- The record of FPS breaches and errors.
- Monthly updates from the FPS Advisory Board and the LGA, ensuring the LGA "actions for fire and rescue authorities" have been carried out by the Scheme Manager.
- NCC's monthly client reports provided by WYPF and minutes of the WYPF quarterly meetings held for its FPS clients.
- Monthly monitoring of Key Performance Indicators provided by WYPF.
- The timely issue of FPS Annual Benefit Statements and Pensions Savings Statements.
- Reports on NCC's membership of the FPS.

4.2 FPS administration service

From 1 March 2018 the administration of the FPS has been undertaken for NCC through a shared service arrangement with WYPF. The Board provided oversight of the service provided by WYPF during 2021/22.

The shared service with WYPF has provided operational resilience to NCC. NCC's FPS members now have access to their pension records via an online portal. WYPF has been proactive in improving communication with members.

In accordance with best practice WYPF has a Data Improvement Plan in place to continually assess and improve data scores, within the FPS membership data.

WYPF provides FPS administration services, on a shared costs basis, to (now) approximately half the Fire and Rescue Authorities in England. WYPF had 10 clients when it took on NCC in 2018, and now has 23 clients (in June 2022, when this report was finalised).

WYPF has kept the Board informed as it has planned to and increased resources to ensure service delivery to existing clients is unaffected by its increasing client base.

WYPF is a well-respected FPS industry expert, with a presence on technical and communication groups, and links to the FPS Advisory Board.

4.3 Most recent data scores for NCC's FPS membership data

	Common data		Scheme specific
		November 2021	
FPS 1992 Scheme	99%		98%
FPS 2006 Scheme	94%		100%
FPS 2015 Scheme	99%		94%
		November 2020	
FPS 1992 Scheme	99%		97%
FPS 2006 Scheme	94%		100%
FPS 2015 Scheme	99%		94%

5. Training

In prior years, Board members have attended comprehensive training on the FPS benefits and the role of the Board in FPS governance provided by the LGA.

There have been two changes in councillor membership during 2021/22. Induction training was delivered to the councillor members in the year.

The Board has access to advice from LGA and LGA's library of guides and the Pensions Regulator's toolkit training. The LGA's monthly bulletins are provided to Board members.

6. Risks

An area of particular interest to the Board is the awareness of any risk factors which may impact upon the FPS.

The Board reviewed NCC's FPS risk register in 2019/20 and considers risk, and changes to risk, at each meeting.

7. NCC's FPS information in the year to 31 March 2022

7.1 Extract from NCC's draft Statement of Accounts 2021/22

2020-21 £000	Fund Account	2021-22 £000
	Contributions:	
1,794	From employer - normal	1,821
7	From employer - ill health	-
792	From members	809
2,593		2,630
	Transfers in:	
123	Individual transfers from other schemes	484
2,716		3,114
	Benefits:	
(5,700)	Pensions	(5,878)
(1,375)	Commutations and lump sum retirement benefits	(962)
0	Other eligible expenditure - scheme pays	(53)
(7,075)		(6,893)
4,359	Net amount payable before top-up grant	3,779
(4,359)	Top-up grant payable by the Government	(3,779)
-	Net Amount Payable for the year	-

31 March 2021 £000	Net Assets Statement	31 March 2022 £000
	Current assets:	
-	Top-up grant receivable from the Government	121
115	Amount receivable from the General Fund	
	Current liabilities:	
(115)	Top up grant owed to the Government	
-	Amount payable to the General Fund	(121)
-		-

7.2 Membership of FPS in NCC as at 31 March 2022

Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Leave options pending
As at 31 March 2022					
1992 Scheme	6	18	283	46	0
2006 Scheme	6	84	12	4	0
2006/RDS Scheme	3	13	33	1	0
2015 Scheme	260	113	3	0	7
2015/RDS Scheme	4	3	2	0	0
TOTAL	279	231	333	51	7
As at 31 March 2021					
1992 Scheme	12	18	279	50	0
2006 Scheme	7	87	8	4	0
2006/RDS Scheme	6	13	31	1	0
2015 Scheme	213	100	1	0	5
2015/RDS Scheme	3	3	2	0	0
TOTAL	241	221	321	55	5
As at 31 March 2020					
1992 Scheme	21	19	278	53	0
2006 Scheme	7	87	8	4	1
2006/RDS Scheme	8	13	30	1	0
2015 Scheme	231	78	1	0	0
2015/RDS Scheme	5	3	0	0	0
TOTAL	272	200	317	58	1
As at 31 March 2019					
1992 Scheme	32	22	269	52	0
2006 Scheme	10	86	6	4	4
2006/RDS Scheme	11	15	28	1	0
2015 Scheme	197	51	0	0	2
2015/RDS Scheme	3	3	0	0	0
TOTAL	253	177	303	57	6
As at 31 March 2018					
1992 Scheme	48	21	260	55	0
2006 Scheme	9	117	6	4	4
2015 Scheme	174	57	0	0	0
TOTAL	231	195	266	59	4

Pensions into payment

	Age retirements	Ill-health retirements
During 2021/22	13	0
During 2020/21	14	2
During 2019/20	10	0
During 2018/19	13	0
During 2017/18	9	0

Optants out

As at **31 March 2022** there were 127 assignments not in the FPS, of whom 112 are retained firefighters and 15 are whole-time firefighters.

As at **31 March 2021** there were 128 assignments not in the FPS, of whom 113 are retained firefighters and 15 are whole-time firefighters.

As at **31 March 2020** there were 115 assignments not in the FPS, of whom 102 are retained firefighters and 13 are whole-time firefighters.

As at **31 March 2019** there were 115 assignments not in the FPS, of whom 97 are retained firefighters and 18 are whole-time firefighters.

As at **31 March 2018** there were 116 assignments not in the FPS, of whom 100 are retained firefighters and 16 are whole-time firefighters.

7.3 Breaches of the law recorded in the year to 31 March 2022

The Board considered one breach relating to the administration of the FPS in NCC which was recorded in 2021/22. The breach occurred when a backdated pay award for three pensioner members resulted in an “unauthorised tax payment”, which is a breach of the law. WYPF informed NCC of the breach and NCC immediately authorised payment of the tax due to correct the position. The Board considered the reasons for, reaction to, and wider implications of the breach and concluded it was **not** of material significance to the Regulator and should not be reported.

During 2021/22, WYPF provided monthly reporting on the FPS administration processes undertaken on NCC’s behalf against the legal timeframes: this showed no breaches of the law had occurred.

7.4 Appeals

One Stage Two IDRPs complaint was made in the year. An anonymised report of the complaint and subsequent actions taken by the Scheme Manager was considered by the Board. It was noted that the Stage Two hearing had been postponed with the member’s agreement. The Board was satisfied that a fair and transparent process had taken by NCC.

8. General

The Board aims to add value by assisting the Scheme Manager through scrutinising the FPS risk register and monitoring the breaches log. The role of the Board has developed and continues to do so as the FPS Advisory Board and the Pensions Regulator both develop their views and guidance.

The Board's Terms of Reference allow for virtual meetings, so there were no meeting cancellations as a result of the COVID-19 lockdown measures.

Finally, I would like to thank Clare Gorman and Craig Johnson for providing technical support in the role as Board Secretary and Nichola Turnbull for administrative support to the Board.



S. Richards
Chair of the FPS Local Pension Board

Reported to NCC Audit Committee on: 27 July 2022



Northumberland County Council

AUDIT COMMITTEE

DATE: 27 JULY 2022

INTERNAL AUDIT CHARTER

Report of: Kevin McDonald, Head of Internal Audit & Risk Management

Purpose of report

The purpose of this report is to inform Audit Committee of an updated Internal Audit Charter in accordance with the requirements of the Public Sector Internal Audit Standards (April 2017) and the related Local Government Application Note.

Recommendations

Audit Committee is asked to agree the updated Internal Audit Charter which is attached as **Appendix A** to this report, and which is a requirement of the Public Sector Internal Audit Standards.

Link to Corporate Plan

The work of Internal Audit and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan.

Key issues

The report sets out an updated Internal Audit Charter. In conformance with the Public Sector Internal Audit Standards, the Audit Committee, as the designated 'board' is required to approve the Internal Audit Charter periodically.

Background

It is a statutory requirement for all relevant authorities (including Northumberland County Council) to "undertake an effective internal audit to evaluate the effectiveness of...risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." ¹

The Institute of Internal Auditors (IIA) has published an International Professional Practices Framework (IPPF) which includes certain mandatory elements with which every Internal Audit service provider must comply. For the Public Sector in the UK, 'Relevant Internal Audit Standard Setters' have been designated for central government, the NHS and local government. The role of these standard setters is to adopt a common set of Public Sector Internal Audit Standards (PSIAS) which encompass the mandatory elements issued by the

¹ The Accounts and Audit Regulations 2015 – Regulation 5 (1)

IIA and any additional requirements and interpretations for the UK public sector, whilst maintaining the integrity of the text of the mandatory elements of the IPPF.

In April 2017, the ‘Relevant Internal Audit Standard Setters’ published updated specific Public Sector Internal Audit Standards, applying the IIA International Standards to the UK Public Sector. These standards apply to all parts of the public sector (local government, central government and the NHS). For local government, the Chartered Institute of Public Finance and Accountancy (CIPFA) has been designated as ‘the relevant standard setter’. To support the PSIAS in local government, CIPFA, as relevant local government standard setter, have published a Local Government Application Note which accompanies and underpins the mandatory requirements of the full PSIAS. The PSIAS and Local Government Application Note together comprise the ‘public sector internal auditing standards’ which are necessary to undertake the effective internal audit required by the Accounts and Audit Regulations 2015.

All local government Internal Audit providers in the UK are expected to comply fully with the PSIAS. It is also a requirement that the degree of conformance to the standards is assessed and reported to ‘senior management’ and the ‘board’ of the organisation. The Audit Committee fulfils the role of the ‘board’ in Northumberland County Council. The PSIAS include a requirement that a specific Internal Audit Charter is adopted by every relevant authority, which is approved by the ‘board’ on a periodic basis.

The Internal Audit Charter was most recently approved by Audit Committee in July 2020. The Internal Audit Charter has been reviewed to ensure that the exact requirements of the PSIAS continue to be met and the proposed Internal Audit Charter is attached as Appendix A.

Implications

Policy	Effective internal audit is an essential part of the County Council’s governance arrangements. Internal Audit examines the Council’s systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed.
Finance and value for money	The audit of the Council’s activities promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste and inefficiency.
Legal	The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. The Public Sector Internal Audit Standards establishes the professional standards Internal Audit must apply when planning the use of its resources. Adherence to these standards is the subject of the main body of this report.
Procurement	None

Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	None
Risk Assessment	There are no specific risks arising from this report, as the Internal Audit Charter is in accordance with the requirements of the required standards. Should this situation change, a further report would be brought back to Audit Committee as the designated 'board' under the PSIAS.
Crime & Disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified.
Customer Consideration	This report advises Audit Committee, as the recognised 'board' under the Public Sector Internal Audit Standards, of the Internal Audit Charter, in conformance with those standards. The views of Audit Committee will be considered during presentation of this item at the Audit Committee meeting.
Carbon reduction	None
Wards	All

Background papers:

- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy, April 2013, revised April 2017;
- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2019;
- The Accounts and Audit Regulations 2015, April 2015;
- NCC Finance and Contract Rules, December 2011;

Report sign off.

Finance Officer	N/A
Monitoring Officer/Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Portfolio Holder(s)	N/A

Author and Contact Details

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Northumberland
County Council

Internal Audit Service

Internal Audit Charter

July 2022

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1 Introduction and Purpose of the Internal Audit Charter

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and were revised on 1 April 2017. The PSIAS and associated Local Government Application Note are the mandatory standards with which every Internal Audit provider delivering such services in local government is required to comply. PSIAS require that each local authority has an internal audit charter in place to define the purpose, authority and responsibility of Internal Audit.
- 1.2 The Internal Audit Charter must be consistent with the Definition of Internal Auditing and the Code of Ethics which form part of the Standards. The Internal Audit Charter must also be consistent with the Attribute Standards which address the characteristics of organisations performing internal audit activities, and with the Performance Standards which provide quality criteria against which the performance of these activities can be evaluated.
- 1.3 The PSIAS require that the Internal Audit Charter is approved by “senior management” and the “board”. At Northumberland County Council, the Audit Committee fulfills the role of the “board”. “Senior Management” refers to the County Council’s Executive Management Team.
- 1.4 The PSIAS also uses the term “Chief Audit Executive”, referring to the person who has responsibility for managing the internal audit activity in accordance with the Internal Audit Charter and associated mandatory requirements. Within Northumberland County Council, this is the Head of Internal Audit and Risk Management.
- 1.5 This document seeks to codify existing practice and arrangements governing the work of Internal Audit within Northumberland County Council. The Internal Audit Charter confirms:
- the objectives of Internal Audit;
 - the position of Internal Audit within the organisation;
 - the scope of Internal Audit activity; and
 - Internal Audit’s authority and right of access to all records.
- 1.6 The Internal Audit Charter complies fully with the organisation’s Financial Regulations / Finance and Contract Rules, and the provisions on Internal Audit contained therein.

2 Role and Objectives of Internal Audit

- 2.1 The Public Sector Internal Audit Standards define internal auditing as ‘*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*’

- 2.2 Internal Audit assists management in delivering the objectives of the organisation by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. It objectively examines, evaluates and reports on the control environment in place as a contribution to the proper, economic, efficient and effective use of resources.
- 2.3 Internal Audit has a vital role in providing assurance to the organisation and evaluating the governance arrangements in place. Internal Audit must provide an overall annual opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. This overall opinion is supported by individual audit assignments which are undertaken in accordance with the Strategic Audit Plan. Internal Audit is responsible for completing sufficient work as part of the Strategic Audit Plan, to evidence and support the overall annual opinion. It is important to emphasise with regard to the annual opinion, that Internal Audit's responsibilities extend to the entire framework of governance, risk management and control and is not restricted to financial controls.
- 2.4 In addition to performing internal audits of existing systems, Internal Audit has a significant role in providing an advice and consultancy role for the organisation. This includes advising on controls during the introduction of new systems, to minimise the risk of weaknesses in new systems and strengthens the control environment. This activity comprises 'consulting activity' under the PSIAS (see section 7).
- 2.5 Internal Audit performs investigations into suspected fraud or irregularity. It is important that the organisation can call upon Internal Audit resource to respond quickly to assess the extent of potential problems and to secure evidence if required. Internal Audit will also review weaknesses in control to establish the reasons for the fraud / irregularity occurring and recommend improvements in the control environment to minimise the risk of reoccurrence. At Northumberland County Council, there is a separate counter fraud team to whom Internal Audit may refer counter fraud matters.

3 Role and Responsibilities of the Board

- 3.1 The responsibilities of the Board as detailed in the PSIAS are:
- (i) Approving the Internal Audit Charter.
 - (ii) Approving the annual risk based Internal Audit plan and any amendments to the plan during the course of the year.
 - (iii) Approving the Internal Audit budget and resource plan and establishing that there are sufficient resources with regard to the provision of an annual audit opinion (See 2.3 above).
 - (iv) Considering communications from the Chief Internal Auditor on Internal Audit performance relative to its plan and other matters.
 - (v) Receiving annual confirmation from the Chief Internal Auditor that Internal Audit is organisationally independent.

- (vi) Considering the results of the quality assurance and improvement programme from the Chief Internal Auditor.

4 Role and Responsibilities of Senior Management

4.1 The responsibilities of Senior Management as detailed in the PSIAS are:

- (i) Providing input to the annual Internal Audit plan.
- (ii) Actioning Internal Audit reports and follow-up reports.
- (iii) Receiving the results of the quality assurance and improvement programme (see section 10) from the Chief Internal Auditor.

4.2 In addition, the organisation's chief officers – those at Head of Service / Director level and above – are responsible for ensuring that appropriate and adequate internal controls exist, **independently of any Internal Audit activity**. Chief officers must establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets.

4.3 When an Internal Audit report is issued, it is for management to decide whether to accept and implement audit findings and recommendations, subject to adherence to Council policy and Financial Regulations. Any decision to reject a formal recommendation must be justified in writing. It is the Head of Internal Audit and Risk Management's duty to consider taking matters to a higher level of management, or to the Audit Committee, if it is felt that a risk should not (or need not) be borne.

5 Objectivity and Independence

5.1 Internal Audit must be, and must be seen to be, independent. To ensure this, a number of arrangements are in place to ensure that Internal Audit operates within a framework which allows:

- unrestricted access to the board and senior management;
- impartial and unbiased opinions;
- reporting in its own name; and
- segregation from line operations.

5.2 It is a requirement of the PSIAS that the Head of Internal Audit and Risk Management reports 'to a level within the organisation that allows the Internal Audit activity to fulfil its responsibilities.' The PSIAS interprets organisational independence as being effectively achieved when the Chief Audit Executive reports functionally to the board. Within Northumberland County Council, these requirements are achieved by:

- the Head of Internal Audit and Risk Management reporting functionally to the Audit Committee. The Head of Internal Audit and Risk Management reports functionally to Audit Committee in his own name

- and has the right of free and unfettered access to the Audit Committee and Chair of Audit Committee.
- the Head of Internal Audit and Risk Management reporting operationally to a member of the organisation's senior management team. The Head of Internal Audit and Risk Management is currently line managed by the Chief Executive.
- 5.3 In line with the requirements of the PSIAS, the Chief Executive and the Chair of Audit Committee will be invited to provide input / feedback to the annual performance review of the Head of Internal Audit and Risk Management. The Head of Internal Audit and Risk Management will also confirm the organisational independence of Internal Audit to Audit Committee at least annually.
- 5.4 In addition, the Head of Internal Audit and Risk Management has free and unfettered access to the Chief Executive, Chief Finance Officer (s151 Officer), and Monitoring Officer.
- 5.5 Internal Audit shall have no responsibilities over the operations which it audits other than the furnishing of recommendations to relevant management, and advice to management on risks and controls. Where the span of management control of the Chief Audit Executive dictates, separation of duties is enforced within the team to ensure sufficient independence. Any Internal Audit work undertaken on any area for which the Head of Internal Audit and Risk Management is responsible (for example risk management) is led by, issued by and in the name of a Group Assurance Manager who has no responsibility for delivery of that service.
- 5.6 Internal Auditors will complete an annual declaration confirming compliance with rules on independence, conflicts of interest and the offer and / or acceptance of gifts and hospitality. In compiling the Strategic Audit Plan it will be ensured that this recognises and addresses potential conflicts of interest, in particular, by ensuring that staff do not undertake an audit assignment for at least one year in an area where they have had previous operational roles.
- 5.7 All Internal Auditors will be appraised of the "Definition of Internal Auditing", the "Code of Ethics" and the "Standards" and will work in accordance with these requirements. This will form the basis of the performance appraisal for each Internal Auditor.
- 5.8 Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review. Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.
- 5.9 When performing their work, internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that

any suspicions of fraud, corruption or improper conduct are promptly reported to the Head of Internal Audit and Risk Management.

- 5.10 Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so.

6 Scope and Authority

- 6.1 The s151 Officer is designated by the organisation as the officer responsible for making proper arrangements for the administration of the organisation's financial affairs. In addition, the Accounts and Audit Regulations 2015 require that the County Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

- 6.2 The Accounts and Audit Regulations 2015 make it a legal requirement that any officer or elected member of a relevant local authority must, if required to do so for the purposes of internal audit:

- a) make available such documents and records (including those in an electronic form); and
- b) supply such information and explanations

as are considered necessary by those conducting the internal audit. This Internal Audit Charter affirms these statutory rights of access for Internal Audit.

- 6.3 These rights of access are also enshrined within the organisation's Finance and Contract Rules. These include the provision that Internal Audit has the authority to:

- access the Council's premises at all reasonable times;
- access all records, documents, correspondence and control systems;
- receive any information and explanation considered necessary concerning any matter under consideration;
- require any employee of the authority to account for cash, stores or any other authority asset under his or her control; and
- directly access the head of paid service, Chief Executive, the Cabinet / Executive, Audit Committee and / or other appropriate committees
- access financial records belonging to third parties, such as contractors, organisations in receipt of grant funding, and partnering arrangements in any scheme for which the organisation has responsibility as lead or accountable body.

- 6.4 In turn, the Finance and Contract Rules place a responsibility on all chief officers to ensure that Internal Audit is given access at all reasonable times to such premises, personnel, documents and assets that Internal Audit considers necessary for the purposes of its work. Chief officers are also charged with:

- ensuring that Internal Audit is provided with any information and explanations that it may seek in the course of its work;
- considering and responding promptly to recommendations in audit reports; and
- ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

6.5 The work of Internal Audit embraces the whole internal control system of the organisation, including all of its activities, funded from any source. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved;
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by either the management of the organisation or externally;
- assessing the completeness, reliability and integrity of information, both financial and operational;
- assessing the extent to which the organisation's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

6.6 The Finance and Contract Rules place a duty on chief officers to ensure that, where existing financial systems are proposed to be changed or new systems established, the agreement of the s151 Officer and Chief Internal Auditor is obtained before implementing any changes.

6.7 The counter fraud policy will require that Internal Audit is informed in the event that fraudulent activity or financial irregularity is suspected or confirmed, in accordance with the Council's Finance and Contract Rules. Internal Audit or counter fraud officers will co-ordinate the investigation of alleged financial irregularity in accordance with the organisation's counter fraud policy, including liaison with the Police.

7 Consulting Activity

7.1 The PSIAS define consulting services as:
“Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”

7.2 The Strategic Audit Plan, agreed by the Audit Committee in March each year, will identify any assignments which fall within the above definition. In addition,

in terms of the requirements of the PSIAS, any significant additional consulting services identified during the course of the year will be approved by the Audit Committee prior to accepting the assignment. Within Northumberland County Council, it is considered appropriate to define “significant” as any single assignment which is estimated to require a resource of 15 days or more.

8 Planning

- 8.1 Internal Audit prepares a Strategic Audit Plan, setting out the scope of work to be undertaken within organisation each year. This detailed plan is prepared in consultation with the Chief Executive, s151 Officer, senior management, and is approved by the Audit Committee. Proposed coverage is also shared with the relevant Cabinet / Portfolio holder and the external auditor.
- 8.2 Internal Audit must however be independent in its planning and operation. In producing the Strategic Audit Plan, the Head of Internal Audit and Risk Management will have an unrestricted range of coverage of the Council’s operations. The Head of Internal Audit and Risk Management will have freedom to determine the priorities of Internal Audit, following consultation with the senior management of the organisation.
- 8.3 The Strategic Audit Plan will provide a broad scope of each audit assignment, together with the resources required and the respective priorities. The Plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments, fraud investigations and staff vacancies which could not be reasonably foreseen. If the Audit Committee considers it appropriate, an appropriate budget of time will be included to cover a defined number of assurance assignments relating to specific areas of assurance requested by the Audit Committee. In such cases, the Head of Internal Audit and Risk Management will be responsible for defining the scope and coverage of this work to ensure that this remains within the definition and remit of Internal Audit activity.
- 8.4 The Strategic Audit plan, once set, will be compared to resource availability and where there is an imbalance between the two, the Audit Committee will be informed of this and proposed solutions. The Local Government Application Note which supports the PSIAS on which this Internal Audit Charter is based, makes clear that significant matters that jeopardise delivery of the plan, or require changes to the plan, should be identified, addressed and reported to the board.
- 8.5 In determining the resourcing of Internal Audit, the staffing of the Internal Audit Service will be kept under annual review. As a minimum, resourcing will ensure that the Service is able to comply with the requirements of the Public Sector Internal Audit Standards. Resourcing required will be identified by the Head of Internal Audit and Risk Management, ensuring that as a minimum resources are sufficient to provide a level of coverage necessary to give an annual evidence based opinion on the adequacy and effectiveness of the

organisation's framework of governance, risk management and control. Local factors within the organisation will determine this minimum level of coverage. A risk based audit plan will be prepared which reflects the Head of Internal Audit and Risk Management's view about the level of audit coverage and optimum resources to be devoted to Internal Audit.

9 Reporting

- 9.1 At the end of every Internal Audit assignment, a draft audit report will be issued to the relevant audit client, as identified in the project brief prepared at commencement of the assignment and agreed with the audit client. The project brief will set out clearly the circulation of the report and Internal Audit will normally observe this circulation list very closely.
- 9.2 Should the Head of Internal Audit and Risk Management consider that a matter of governance or control is so serious as to warrant communication to other officers of the organisation, or to an external agency such as the Police, the Head of Internal Audit and Risk Management has the authority to do so. Accordingly the Head of Internal Audit and Risk Management will have direct access to, and freedom to report to, all senior management and elected members, and any external agency which, in his professional judgement, he considers appropriate.
- 9.3 The organisation's management is expected to implement all accepted recommendations within a reasonable timescale, determined by management and agreed with Internal Audit at the end of the audit assignment. Each audit will be followed up to assess the extent to which this has happened. Summary information will be reported to the respective senior management team and Audit Committee on a periodic basis.
- 9.4 On an annual basis the Head of Internal Audit and Risk Management is required to consider the results of Internal Audit work performed during the year and to prepare an annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control. This opinion is presented to and considered by Audit Committee in conjunction with the Annual Governance Statement, each year.

10 Quality Assurance and Improvement Programme

- 10.1 Quality assurance procedures have been in place within the Internal Audit team for many years as part of the team's adherence to the relevant professional standards prevailing at that time. The PSIAS introduced a requirement to develop a 'quality assurance and improvement programme' (QAIP). The PSIAS recognised that the new requirement should not add significantly to existing quality requirements.
- 10.2 The Head of Internal Audit and Risk Management will codify all existing qualitative measures used to manage effectiveness of Internal Audit activity under one QAIP. In addition, the QAIP will include any new qualitative

measures required by the PSIAS, such as the requirement for an external assessment at least once in every five years. The results of the QAIP will be reported to senior management and the board as required by the PSIAS.

- 10.3 As required by the PSIAS, the Chief Internal Auditor will discuss with senior management and the board the qualifications and independence of the independent external assessor.

IA/KM
July 2022

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