

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At the meeting of the **Audit Committee** held at Council Chamber - County Hall on Wednesday, 30 November 2022 at 10.15 a.m.

PRESENT

S. Watson (Chair, in the Chair)

COUNCILLORS

Cessford, T.
Grimshaw, L.
Jackson, P.
Oliver, N.

Reid, J.
Towns, D.
Wallace, A.

CO-OPTED MEMBERS

Topping, P.

OFFICERS IN ATTENDANCE

Bowers, H.
Candlish, T.
Henderson, C.
Masson, N.
McDonald, K.

O'Farrell, R.
Williams, G.
Willis, J.

Democratic Services Officer
Group Assurance Manager
Group Assurance Manager
Senior Manager – Legal Services
Head of Internal Audit and Risk
Management
Interim Chief Executive
Corporate Fraud Investigator
Interim Executive Director of
Finance and S151 Officer

ALSO IN ATTENDANCE

Gilbert, J.
Waddell, C.

External
Mazars (External Audit)

1 member of the press was in attendance

42 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dale.

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43 **MINUTES**

RESOLVED that the minutes of the meeting of the Audit Committee held on 28 September 2022, as circulated, be confirmed as a true record and signed by the Chair.

The Chair informed the Committee of a change in the order of agenda items.

44 **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 which had been filed with the signed minutes).

Regarding Action 1, it was confirmed that although a written response had been forwarded to Councillor Oliver, the response should also be emailed to the Committee.

Regarding Action 2, a brief update be given to the Committee following the response of the Interim Director of Finance and Section 151 Officer to Councillor Dale.

Regarding Action 3, Councillor Jackson requested a comprehensive progress report be brought to the next meeting on issues from the Caller Report.

It was suggested an update report be brought to the next meeting by the S151 Officer, focusing on work undertaken by the Challenge Board.

The Chief Executive informed members that a full report would be taken to Full Council and the same report brought to the Committee to avoid duplication of effort.

Regarding Action 4, Corporate Services and Economic Growth Scrutiny Committee would scrutinise the Business Case and suggested a discussion with the Chair and Vice Chair of the Committee to ensure there was no duplication.

Regarding Action 6, due to complex and sensitive matters, the report on the processes and practices of employment and redundancy payments would be presented at the January meeting.

RESOLVED that the monitoring report/action log and comments made be noted.

45 **INTERNATIONAL INVESTIGATION**

John Gilbert joined the meeting virtually and provided an update of the International investigation to the Committee.

Mr Gilbert explained that the investigation had come about due to issues of the S114 notice, the Caller Report and work involving International. Following the report, the Committee had raised 10 questions.

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The methodology of the investigation had involved reading through over 500 documents and information. Twenty people had been interviewed, from past and present staff and councillors and senior NHS staff. Some individuals had not wanted to take part, some had provided further information. There was also the process of translating issues and gaps.

Questions were being responded to in chronological order to ensure the report was based on evidence and not on information that was subjective or hearsay.

It was hoped that the report would be brought to the Committee in January.

The Chair and members thanked Mr Gilbert for his update.

46 REPORTS OF THE EXTERNAL AUDITOR

(a) Audit Strategy Memorandum – year ending 31 March 2022

Cameron Waddell, External Auditor explained that work on the audit 2021/22 had commenced and testing was well underway. The aim was to conclude and report the audit in March 2023.

The Committee were provided with an update on the audit approach for the year ending 31 March 2022. Key points of the report, included:-

- Engagement and responsibilities summary
- The Audit Engagement Team
- Audit scope, approach and timeline including planning, completion and fieldwork
- Significant risks and other key judgement areas
- Value for money arrangements
- Fees for audit and other services
- Non audit work, eg, returns
- No independence issues
- Materiality and misstatements including Officer remuneration and Infrastructure

(b) Update on Audit 2021-22 Statement of Accounts

Mr Waddell, included a brief update of the progress of the work in agenda item 46 (a) above.

RESOLVED that the information be noted.

47 REPORT OF HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Audit Committee Arrangements

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Kevin McDonald, Head of Internal Audit and Risk Management explained that the Chartered Institute of Public Finance and Accountancy (CIPFA) regularly produced guidance on the operation of local authority audit committees which included a Position Statement and Self- Assessment Template for best practice.

Updated guidance had been published in October, which included an updated Position Statement and updated Self-Assessment Template.

The report enclosed an updated completed Position Statement (Appendix A) and Self- Assessment (Appendix B) which had been completed in conjunction with the Chair and Vice Chair and in the main showed that the Council was compliant with the guidance in the Position Statement. Some amendments would be required to the Terms of Reference to be fully compliant with the guidance and hopefully all changes would be ready for Annual Council in May next year.

Councillor Jackson referred to question 25 of the self-assessment ('Does the committee make recommendations for the improvement of governance, risk and control arrangements?'). He suggested that this wasn't a regular occurrence. The Chair responded that in his opinion, the comment in the table ('It would not be usual for recommendations from Audit Committee to be made regularly, but this was a facility which Audit Committee had utilised when appropriate') was a fair comment and appropriate.

Some discussion took place on structured training for members in order to keep on top of best practice.

Councillor Oliver stated that independent members were important and the key to efficient functions. Additionally, the attendance of senior officers and members at meetings was equally important.

The Chair thanked Mr McDonald for his report.

RESOLVED that:

- 1) CIPFAs published revised guidance, including a revised Position Statement on Audit Committees in Local Authorities and Police and that some future changes are likely to be needed to the current Terms of Reference of Audit Committee as set out in the Constitution, to ensure that all aspects of CIPF's latest guidance can be reflected be noted.
- 2) the latest self-assessment of Audit Committee arrangements against the good practice guidance recommended by CIPFA, be endorsed.
- 3) the Head of Internal Audit and Risk Management works with the Chair of Audit Committee to undertake a wider review of Audit Committee arrangements using the revised CIPFA guidance in order to prepare a plan of action which may be needed to ensure that Audit Committee arrangements reflect CIPFAs latest guidance be agreed.

48 **REPORT OF HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT**

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Key Outcomes From Internal Audit Reports (Issued May 2022 to October 2022)

The report advised Audit Committee of key outcomes from Internal Audit reports issued between May 2022 and October 2022).

The report highlighted the objectives, assurance opinion, recommendations and progress made and was shared with each client.

In response to a request of a breakdown of the Communities Together grant to be circulated to members, Mr McDonald stated this would be chased up.

In response to more clarification on the NETS support, it was explained that only small amount of detail was in the report, but additional detail could be provided to the Committee

P. Topping referred to the ICT review on page 48 and K. McDonald stated that 5 of the 8 recommendations had already been actioned.

In response to a query from the Chair regarding Change Advisory Board (CAB) not meeting for 4 months at the time of the audit, K. McDonald understood that whilst meetings had not taken place, relevant approvals had been given virtually and it had been reflected in the recommendations that it would be more beneficial if meetings took place face to face.

Councillor Jackson raised a query on the checking of rectification of issues. K McDonald explained that a service area would be expected to self-certify and subsequently evidence would be checked to the background of the risk. More thought would be given how to present information to the committee in future.

RESOLVED that the key findings from good practice identified in, and management action taken in response to the Internal Audit reports issued in this period, be noted.

49 **REPORT OF HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT**

Strategic Audit Plan 2022/23 - Interim Monitoring Statement

The report provided the Committee with a half yearly monitoring statement in respect of the Strategic Audit Plan for 2022/23.

K. McDonald outline the key issues of the report:

- Additional work had been undertaken following the Section 114 Report in May and external investigation following the International arrangement and grant certification.
- £24 m worth of grant certification within the first half of the year with an additional £23.9 m.
- Work was under constant review for delivery of the plan and an outturn would be reported to Committee in May 2023.

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- Monitoring of resources following cessation of Shared Internal Audit and Risk Management Services.
- The plan on page 63 included items in the plan which had been agreed in March last year with a progress update.

RESOLVED that the progress set out in the Strategic Audit Plan Interim Monitoring Statement and the level of coverage achieved by Internal Audit be noted.

50 **REPORT OF INTERIM EXECUTIVE DIRECTOR OF FINANCE AND S151 OFFICER**

Treasury Management Mid-Year Review Report for the Period 1 April to 30 September 2022

The report provided a mid-term year review of the activities of the Treasury Management function for the period 1 April to 30 September 2022 and performance against the Treasury Management Strategy Statement (TMSS) 2022-23 as approved by County Council on 23 February 2022. The report provided a review of borrowing and investment performance for the period set out in the context of generic economic conditions prevailing so far during the year. It also reviewed specific Treasury Management prudential indicators defined by the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by Council in the TMSS.

J. Willis gave a brief summary of the report and stated that a gradual increase in interest rates had been anticipated throughout the financial year to 3 1/2 % but had increased more rapidly to a higher level.

Whilst rates had come down slightly following the mini budget measures, the table on page 77 showed PWLB rates around 5% depending on maturity at quarter 3, and by quarter 2 down, but significantly higher than planning assumptions at the beginning of the year.

Cash balances had remained high in the first half of the year but were still in an under borrowing position. As cash balances reduced, external borrowing would be required by the end of the year. The expenditure in this financial year would be lower than expected. The amount of debt would be relatively modest but at a significantly higher rate earning on cash investments.

Overall, the under borrowing strategy would continue where possible, and debt replaced due to maturing loans. Borrowing would be undertaken on a short-term basis.

In terms of investments, the amount earned had also increased significantly, based on existing investments, it was expected that there would be over £2m by the end of the year. In the short term this would have a beneficial impact but there was still concern about the longer impact.

All the treasury management was within the approved limits, and it was expected

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that it would also be in the second half of the year.

RESOLVED that the report and the performance of the Treasury Management function from 1 April 2021 to 30 September 2022 be noted and presented to County Council.

51 **REPORT OF INTERIM EXECUTIVE DIRECTOR OF FINANCE AND S151 OFFICER**

Corporate Fraud Team

The report updated the Audit Committee on work undertaken by the Corporate Fraud Team covering the period 1 April 2021- 31 March 2022.

G. Williams, Corporate Fraud Investigator referred to changes in the team earlier in the year, but high standards of service had continued to be delivered.

Mr Williams explained that the main areas of work had included revenues, business rates and council tax. Also tenancy work, including Right to Buy, verification and ID checks on tenants and cases recovering properties and illegal eviction.

Covid grants during the 2021 – 2022 period had been investigated in relation to payments discrepancy with 55 cases being successfully invoiced.

The table on page 93 showed the total sanctions across all areas investigated.

In response to a query regarding claims, Mr Cameron explained that most claims tended to be personal injury, eg, trips and falls.

RESOLVED that the report and progress undertaken by the Corporate Fraud Team since the last report received in March 2022, and the steps taken to recover any monies owed to the Council be noted.

P. Topping left the meeting at 12.04 pm.

Councillors Oliver and Reid left the meeting at 12.05 pm.

52 **DATE OF NEXT MEETING**

RESOLVED that the next meeting is scheduled for Wednesday, 25 January 2023 at 10.15 a.m.

53 **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

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defined in Part 1 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

15 Paragraph 3 of Part 1 of Schedule 12 A

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 person/organisation, and could adversely affect commercial revenue.

At this point in the meeting Rick O'Farrell, Interim Chief Executive and the member of press left the meeting.

54 **REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT**

Group Audit Committee: Advance Northumberland Internal Audit Update

The purpose of the report was to provide an update on the 2022-2023 Internal Audit Plan covering Advance Northumberland Group of Companies.

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

The Chair informed members that the Chair of Advance Northumberland Audit Committee had agreed to attend the next Audit Committee in January 2023 to present a summary of actions underway at Advance Northumberland to address the issues arising from the KPMG report.

RESOLVED that the Group Audit Committee notes the update on the Advance Internal Audit Plan for 2022-23 summarised in Appendix 1, as part of the Group Audit Committee's role in maintaining governance oversight of all entities within the County Council's accounting group boundary.

CHAIR.....

DATE.....

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