



Northumberland

County Council

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email:

Tel direct: 01670 622606

Date: 18 July 2023

Dear Sir or Madam,

Your attendance is requested at the Annual Meeting of the **AUDIT COMMITTEE** to be held on **WEDNESDAY, 26 JULY 2023 at 10.15 AM in THE COUNCIL CHAMBER, COUNTY HALL, MORPETH, NE61 2EF.**

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

Dr Helen Paterson
Chief Executive

To Members of the Audit Committee



Dr Helen Paterson, Chief Executive
County Hall, Morpeth, Northumberland, NE61 2EF
T: 0345 600 6400
www.northumberland.gov.uk



AGENDA

PART I

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

1. MEMBERSHIP AND TERMS OF REFERENCE

The Committee is asked to note the membership and the election of Mr Stephen Watson as Chair of the Committee as appointed by Council on 17 May 2023 and the terms of reference stated within the redrafted Constitution 2023, for the ensuing year.

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

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	J. Reid		
P. Jackson	A. Wallace				
N. Oliver					
D. Towns					

Also:

3 Independent Members (non-voting) – P. Topping, S. Watson and TBC.

Terms of Reference and Powers:

Statement of Purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

(a) To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.

(b) To monitor the effective development and operation of risk management

in the Council.

(c) To monitor progress in addressing risk-related issues reported to the committee.

(d) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

(e) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.

(f) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(g) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

(h) To approve the Regulation of Investigatory Powers Act 2000 (RIPA) policy and procedures, monitor the Council's use of RIPA powers and to undertake the annual review of the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA) ensuring compliance with the Code of Practice.

(i) To monitor the counter fraud strategy, actions and resources.

(j) To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

(a) Governance reporting

(i) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.

(ii) To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

(b) Financial reporting:

(i) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

(ii) To review 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.

(iii) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

External audit

(a) 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 PSAA or the authority's auditor panel as appropriate.

(b) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

(c) To consider specific reports as agreed with the external auditor.

(d) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(e) To consider additional commissions of work from external audit.

(f) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

(g) To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

(h) Internal audit

(i) To approve the internal audit charter.

(j) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

(k) 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.

(l) To approve significant interim changes to the risk-based internal audit plan and resource requirements.

(m) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(n) To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to

limit such impairments.

(o) 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:

(i) updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work

(ii) regular reports on the results of the Quality Assurance and Improvement Programme

(iii) 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.

(p) To consider the head of internal audit's annual report, including:

(i) 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 support the statement (these will indicate the reliability of the conclusions of internal audit)

(ii) 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).

(q) To consider summaries of specific internal audit reports as requested.

(r) 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.

(s) 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.

(t) 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

(u) 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.

(v) Accountability arrangements

(w) 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.

(x) 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.

(y) To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

(z) Designation of the County Council's Audit Committee as Group Audit Committee for all entities within Northumberland County Council's Accounting Group Boundary.

Group Audit Committee

The Audit Committee is 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 are contained within the Council's Constitution.

2. APOLOGIES FOR ABSENCE

3. MINUTES

(Pages 1
- 12)

Minutes of the meeting of the Audit Committee held on 29 March 2023, as circulated, to be confirmed as a true record and signed by the Chair.

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 a 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 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 Registerable Interest or Non Registerable 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 2023-24 (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 2023/24 council year.

6. REPORT OF EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER (Pages 21 - 84)

International Lessons Learned Review

To report to the Committee the outcome of the international lessons learned review commissioned following the issue of the S151 Officer's S114 report in May 2022.

7. REPORT OF EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER (Pages 85 - 98)

Review of Exit Payments

To bring to the attention of the Committee the views of the Chief Finance Officer (S151 Officer) on the lawfulness of exit payments to former senior officers.

8. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT (Pages 99 - 120)

2022/23 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

The purpose of this report is to provide the annual opinion from the 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.

- 9. REPORT OF THE LEADER OF THE COUNTY COUNCIL** (Pages 121 - 166)
- Annual Governance Review and Draft Annual Governance Statement 2022/23**

The purpose of this report is to enable the Audit Committee to review the draft Annual Governance Statement for 2022-23 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.

- 10. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES** (Pages 167 - 360)

The Statement of Accounts for the year ended 31 March 2023

To present the draft (unaudited) Statement of Accounts for the year ended 31 March 2023 and raise any significant issues arising from the accounts.

- 11. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES** (Pages 361 - 370)

Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2023

Northumberland County Council is required to assess whether it should be considered as a 'going concern' organisation, and whether the Council's annual Statement of Accounts should be prepared on that basis. This report considers the Council's status as a going concern and recommends that Members approve this.

- 12. EXTERNAL AUDIT REPORTS**

To consider the following reports:-

- (a) Audit Strategy Memorandum 2022/23
- (b) Audit Progress Report

Reports to follow

- 13. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT** (Pages 371 - 386)

Strategic Audit Plan 2022/23 – Final Monitoring Statement

The purpose of this report is to provide Audit Committee with a final

monitoring statement in respect of the Strategic Audit Plan for 2022/23.

- 14. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT** (Pages 387 - 406)

Key Outcomes from Internal Audit Assignment (Issued November 2022 to April 2023)

The purpose of this report is to advise Audit Committee of key outcomes from Internal Audit reports issued between November 2022 and April 2023 (Appendix 1).

- 15. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES** (Pages 407 - 426)

Treasury Management Annual Report for the Financial Year 2022-23

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2022-23 approved by the County Council on 23 February 2022. The report provides a review of borrowing and investment performance for 2022-23, set in the context of the general economic conditions prevailing during the year. It also reviews 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 the Authority in the TMSS.

- 16. 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.

- 17. DATE AND TIME OF NEXT MEETING**

The next meeting is scheduled for Wednesday, 27 September 2023 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".

- 18. EXCLUSION OF PRESS AND PUBLIC**

The 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
19	<p>Paragraph 3 of Part 1 of Schedule 12A</p> <p>Information relating to the financial or business affairs of any particular person (including the authority holding the information).</p> <p>Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.</p>

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

(Pages
427 -
448)

Group Audit Committee: Advance Northumberland Internal Audit Update

The purpose of this report is to update Group Audit Committee on the Chief Internal Auditor's Annual Opinion for 2022/23 on the Framework of Governance, Risk and Control for Advance Northumberland Group of Companies, provided at Appendix 1 together with the agreed Strategic Audit Plan 2023/24 at Appendix 2. Additionally, an Update on the Strategic Audit Plan for 2022/23 is provided at Appendix 3 which also includes a summary of work finalised since the previous update to Audit Committee in January 2023. These reports were presented to Advance Northumberland Audit Committee on 18 April 2023.

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.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body

	<p>where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <ul style="list-style-type: none"> i. the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - i. exercising functions of a public nature
 - ii. any body directed to charitable purposes or
 - iii. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)