

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email:

Tel direct: 01670 622606

Date: Tuesday, 19 March 2024

Dear Sir or Madam,

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held on
**WEDNESDAY, 27 MARCH 2024 at 10.00 AM in THE COUNCIL CHAMBER, COUNTY HALL,
MORPETH, NE61 2EF.**

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. APOLOGIES FOR ABSENCE

2. MINUTES

(Pages 1
- 10)

Minutes of the meeting of the Audit Committee held on 31 January 2024,
as circulated, to be confirmed as a true record and signed by the Chair.

3. 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.

- 4. MONITORING REPORT / ACTION LOG 2023-24** (Pages 11 - 14)
- 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.
- 5. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT** (Pages 15 - 22)
- Annual Audit Committee Work Programme 2024/25**
- The purpose of this report is to propose a programme of core business for the Audit Committee for 2024/25, in accordance with its Terms of Reference as set out in the Council's Constitution.
- 6. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT** (Pages 23 - 38)
- Annual Review of Audit Committee Effectiveness**
- To provide a self-assessment of Audit Committee arrangements and highlight areas where development should be focused to ensure that our Audit Committee arrangements reflect all parts of good practice guidance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 7. JOINT REPORT OF THE CABINET MEMBER FOR INSPIRING YOUNG PEOPLE AND CABINET MEMBER FOR CARING FOR ADULTS** (Pages 39 - 52)
- Education & Safeguarding Performance – Review of External Inspection Reports**
- 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 July 2023 to 31st December 2023.
- 8. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES** (Pages 53 - 74)
- Counter Fraud Interim Report**
- The purpose of this report is to update Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2023 – 30 September 2023.
- 9. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES** (Pages 75 - 84)

Statement of Accounts - Group Boundary Review

The purpose of this report is to provide members of the Audit Committee with details of the boundary review which has been undertaken to determine those organisations which should have their financial statements consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2024. Particular consideration is given to the position of Active Northumberland.

- 10. REPORT OF THE LEADER OF THE COUNTY COUNCIL** (Pages 85 - 122)

Draft Annual Governance Statement 2023/24

The purpose of this report is to enable the Audit Committee to review the draft Annual Governance Statement for 2023-24 and consider whether it properly reflects the risk environment and supporting assurances.

- 11. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT** (Pages 123 - 162)

Strategic Audit Plan 2024/25

The purpose of this report is to advise Audit Committee of the Strategic Audit Plan for 2024/25. This document outlines the planned work of Internal Audit during this period and is attached as Appendix 1.

- 12. EXTERNAL AUDIT**

To receive a verbal update.

- 13. 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.

- 14. DATE OF NEXT MEETING**

The next meeting is scheduled for Wednesday, 29 May 2024 at 10.00 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".

- 15. 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 Item | Paragraph of Part I of Schedule 12A |
|--------------------|--|
|--------------------|--|

| | |
|----|--|
| 16 | <p>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).</p> <p>Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.</p> |
|----|--|

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

(Pages
163 -
182)

Group Audit Committee: Update on Internal Audit work in relation to active group entities

The purpose of this report is to update Group Audit Committee on progress against planned internal audit activity in relation to Advance Northumberland, including a summary of work finalised since the previous update to Group Audit Committee in January 2024, and the Advance Northumberland Internal Audit Plan for 2024/25. This report was presented to Advance Northumberland Audit Committee on 21 March 2024.

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. |
|--|--|

* '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

| |
|---|
| <p>You have a personal interest in any business of your authority where it relates to or is likely to affect:</p> <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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) |
|---|

Agenda Item 2

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 31 January 2024 at 10.15 a.m.

PRESENT

Councillor D. Towns
(Vice-Chair, in the Chair)

COUNCILLORS

| | |
|--------------|-------------|
| Cessford, T. | Oliver, N. |
| Dale, A. | Reid, J. |
| Grimshaw, L. | Wallace, A. |
| Jackson, P. | |

CO-OPTED MEMBERS

Topping, P.

OFFICERS IN ATTENDANCE

| | |
|--------------|---|
| Bishop, L. | Principal Lawyer |
| Candlish, T. | Group Assurance Manager |
| Gardner, K. | Director of Strategic Change and Service Improvement |
| Gerrard, S. | Director of Law and Corporate Governance (Monitoring Officer) |
| Hall, S. | Group Assurance Manager |
| McDonald, K. | Head of Internal Audit and Risk Management |
| Todd, A. | Democratic Services Officer |
| Willis, J. | Executive Director of Transformation and Resources & S151 Officer |

ALSO IN ATTENDANCE

| | |
|------------|--|
| Dafter, J. | Mazars (External Audit) |
| Earl, R. | Advance Northumberland Chief Operating Officer (observing) |

Wearmouth, R.

Deputy Leader of the County
Council and Cabinet Member for
Corporate Services

1 member of the press was present.

43. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 29 November 2023, as circulated, be confirmed as a true record and signed by the Chair.

44. DISCLOSURE OF MEMBERS' INTERESTS

Councillor Reid declared an interest in item 19 on the agenda (Group Audit Committee: Update on Internal Audit work in relation to active group entities) as Chair of Advance Northumberland.

45. MONITORING REPORT / ACTION LIST 2023-24

The Committee was asked to review and note its monitoring report/action list for the 2023/24 council year (a copy of which has been filed with the signed minutes).

It was noted that an update on workforce issues was provided to the Corporate Services and Economic Growth Overview and Scrutiny Committee held on 29 January 2024. Members of Audit Committee and all Scrutiny Members had been invited to attend the meeting. Therefore, Action 6 could be closed.

Actions 8 and 9 could be closed.

Regarding Action 9, Councillor Jackson asked if Audit Committee could examine further the governance and partnership arrangements around the Borderlands project. J. Willis, Executive Director of Transformation and Resources (S151 Officer) confirmed that she could share the information previously shared with Councillor Dale to the wider committee and include the accountability and assurance framework to offer assurance to members regarding the project.

Councillor Jackson queried if Audit Committee could have an update on the file referral to Northumbria Police regarding exit payments. The Monitoring Officer responded that this would not be appropriate.

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

46. REPORT OF DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Best Value for Money Workstream Progress Report

K. Gardner, Director of Strategic Change and Service Improvement presented the report which updated the Audit Committee on work undertaken to date as part of the Best Value for Money Workstream, covering the period 1st April 2023 – 15th January 2024. (A copy of the report was filed with the signed minutes).

It was noted that the Best Value for Money Workstream formed part of BEST delivery. The aim of the workstream was to introduce a more rigorous approach to planning and performance management, and perform deep dive reviews into specific service areas, with the aim of achieving better outcomes for customers while reducing demand on higher cost public services.

Councillor Grimshaw spoke about the home to school transport service. She hoped that the workstream review would help support SEND young people and their families to get to school and back safely and calmly. It was a vital service for many families, and she hoped the review would look favourably at the needs of SEND young people as well as developing a new way of working for the service.

Councillor Dale asked about the link between the work of BEST and identified high risk issues. It was confirmed that the approach was aligned to the corporate framework. The value for money assessments service reviews were identified within the original Strategic Business Case proposals as a means of looking at service areas with high levels of demand. Key lines of enquiry were determined upon level of expenditure and demand pressures on the service.

In response to a query from P. Topping on the delivery partner Deloitte, it was confirmed that the service review on environment was to be the first review to be completed under the joint approach of the internal Service Review Team. The delivery partner would help deliver the programme as part of the core BEST team, working alongside council officers. They had not been brought onboard as consultants but instead were valuable members of the Team.

RESOLVED that Audit Committee note and comment on the activity and progress of the Best Value for Money Workstream.

47. REPORT OF THE DIRECTOR OF LAW AND CORPORATE GOVERNANCE

Regulation of Investigatory Powers Act 2000 (RIPA) Policy

S. Gerrard, Director of Law and Corporate Governance presented the report which sought to advise members of the requirements of the Regulation of Investigatory Powers Act 2000 and to ask Audit Committee to adopt a revised policy under this legislation. (A copy of the report has been filed with the signed minutes).

Members noted that the RIPA policy only applied to covert surveillance.

RESOLVED that Audit Committee:

- (a) consider the report and approve the updated policy.
- (b) agree to review and approve the RIPA policy on an annual basis.
- (c) agree to monitor the Council's use of RIPA powers and undertake a review of those powers annually.

48. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24

J. Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report which sought to provide Audit Committee with the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK. (A copy of the report has been filed with the signed minutes).

Members were advised that Appendix A to the report provided a summary of the key accounting changes to the Code and their relevance to the Council in preparing its Statement of Accounts for the year ended 31 March 2023.

RESOLVED that Audit Committee note the changes detailed in the report and in Appendix A which will be taken into account in the preparation of the 2023-24 statement of accounts.

49. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Northumberland County Council - Statement of Accounts 2023-24

The purpose of this report was to provide the Audit Committee with an overview of the timetable for publishing the 2023-24 Statement of Accounts and an update on the Accounting Policies to be applied in the preparation of the 2023-24 Statement of Accounts.

J. Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report (a copy of which has filed with the signed minutes).

RESOLVED that Audit Committee:

- (a) note the key dates in the final accounts process for 2023-24.
- (b) approve the Accounting Policies to be used for the preparation of the 2023-24 Statement of Accounts.
- (c) authorise the Executive Director for Resources and Transformation to review the accounting policies as necessary and report any changes to the Audit Committee.

50. EXTERNAL AUDIT

Audit Progress Report

The report updated members on the current position with the 2019/20 audit and the national delays in completing the 2020/21 and 2021/22 audits, how they impacted the Council and the timing of the 2022/23 audit. It also included, at Section 2, a summary of recent national reports and publications for information. (A copy of the report has been filed with the signed minutes).

J. Dafters, External Auditor drew members' attention to the main points of the report, which included:

- Regarding the 2019/20 Audit, it was confirmed that the conclusions in respect of the Council's value for money (VFM) arrangements remained outstanding although nearly complete. Once complete the VFM for the 2019/20 financial year would then feed into subsequent years.
- The 2020/21 Audit. External Audit were working with officers to bring the audit of the financial statements to a conclusion and in the near future it was expected that Mazars would be in a position to issue the audit opinion. The Council's VFM arrangements remained outstanding as referenced in the 2019/20 update.
- It was reported that work on the 2021/22 Audit had been substantially completed. The progress report updated all on the outstanding matters including awaiting decisions from management in relation to ongoing legality and governance issues and how they were to be disclosed in the Council's Annual Governance Statement which would then be subject to audit.
- It was reported that the 2022/23 Audit was well underway with good progress being made.

RESOLVED that the progress report be noted.

51. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Treasury Management Strategy Statement 2024-25

Members were advised that the Local Government Act 2003 required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Council nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policy.

J. Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report which set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2024-25, Prudential Indicators 2024-25 to 2027-28 and the Minimum Revenue Provision Policy 2024-25. (A copy of the report has been filed with the signed minutes).

Councillor Oliver queried why the estimated HRA figures regarding the trend in the cost of capital against the net revenue stream were decreasing. In response it was confirmed that the figures reflected that rents were rising higher than Council Tax.

Councillor Grimshaw thanked officers for the very comprehensive report.

In response to a query made by Councillor Dale it was confirmed that Members would continue to be kept informed on progress made and any future developments. Along with the Treasury Management Strategy Statement and an annual Treasury Report, Audit Committee also received a mid-year treasury management report. It was recognised that councils did find themselves in turbulent financial positions.

However, if there was anything of significance to be reported an additional report to Audit Committee would be prepared.

Councillor Reid spoke about the Council's financial position and sought assurance regarding the ratio of financial costs to net revenue stream. He queried whether this trend was sustainable going forward. It was confirmed that each council's financial position was different which made any benchmarking work or economic outlook forecasting difficult. Northumberland was in a good position, but treasury management would be under constant review. The Council would need to be careful in its decision making going forward.

Councillor Dale commented on the impact on delivery of services to residents and the need to carefully balance capital spending against borrowing. In response it was stated that capital was not just used to fund new projects but also ensured current council buildings and assets were fit for purpose. This would help services for residents to be more accessible, efficient and cost effective.

RESOLVED that Audit Committee:

- (a) consider the report and recommend that County Council approves the Treasury Management Strategy Statement, including the Treasury Management Policy Statement, the Annual Investment Strategy, and the Borrowing Strategy for the Financial Year 2024-25.
- (b) recommend that County Council approves the Prudential Indicators (Appendix 4) for four years 2024-25 to 2027-28 to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- (c) recommend that County Council approves the Minimum Revenue Provision Policy (Appendix 5) 2024-25.

52. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER

International Lessons Learned Review – Update

The report updated Audit Committee on progress made in implementing the recommendations of the international lessons learned review commissioned following the issue of the S151 Officer's S114 report in May 2022. (A copy of the report has been filed with the signed minutes).

J. Willis, Executive Director of Transformation and Resources (S151 Officer) and K. McDonald, Head of Internal Audit and Risk Management highlighted the progress made regarding each of the recommendations.

Councillor Towns asked if Members could be provided with the legal definitions of illegal and unlawful. The Monitoring Officer confirmed that this could be sent to the Audit Committee.

Councillor Oliver welcomed the progress that had been made and hoped that by implementing the recommendations from the review the Council would not find itself in the same position ever again. The Monitoring Officer stated that it was unlikely this could happen again as the Council arrangements were now very different.

Councillor Dale commented on the importance of the Risk Appraisal Panel. In the past she had raised concerns about the Risk and Appraisal Panel not meeting to discuss risks associated with projects or proposals. She questioned what the terms of reference of the panel were and felt that all high-level projects should be routinely sent for consideration. J. Willis confirmed that the Risk Appraisal Panel was meeting, when required, and had met at least three times over the last year or so. The revised terms of reference were included in the Constitution. It was an advisory panel which would be used when evaluating potential trading propositions and offer advice to the Shareholder Committee. J. Willis advised that if Councillor Dale required any further information regarding the Risk Appraisal Panel, she was happy to meet with her to discuss.

The Deputy Leader commented on the lessons that had been learnt since the review and how much growth had been achieved by the Council in improving its policies, procedures and overall way of working.

RESOLVED that the progress in implementing the action plan be noted.

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

Outcomes from the External Quality Assessment of the Internal Audit Service

The purpose of the report was to advise Audit Committee of the findings/outcomes from the external quality assessment of the Internal Audit Service, undertaken in accordance with the Public Sector Internal Audit Standards. (A copy of the report has been filed with the signed minutes).

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

The Audit Committee congratulated the Team for the positive outcomes received from the assessment.

RESOLVED that Audit Committee consider and note the contents of the report.

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

Preparation of the Strategic Audit Plan 2024/25

The purpose of this report was to outline the approach to preparing the 2024/25 Strategic Audit Plan, for consideration and endorsement by the Audit Committee. The report also ensured the Audit Committee, as a key stakeholder of Internal Audit's work, was engaged at an early stage in the planning process. (A copy of the report has been filed with the signed minutes).

The report was introduced by K. McDonald, Head of Internal Audit and Risk Management.

RESOLVED that:

- (a) Audit Committee endorse the approach to preparation of the 2024/25 Strategic Audit Plan.
- (b) Audit Committee are invited to highlight any areas for consideration by the Head of Internal Audit and Risk Management, for inclusion in the 2024/25 Strategic Audit Plan.

55. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Corporate Risk Management Update

K. McDonald, Head of Internal Audit and Risk Management introduced the report which gave Audit Committee an update on the latest position of the corporate risk register following review by Executive Management Team and Cabinet. (A copy of the report has been filed with the signed minutes).

RESOLVED that Audit Committee receive and note the contents of the report presented to and agreed by Cabinet in December 2023.

56. DATE OF NEXT MEETING

RESOLVED that the next meeting be scheduled for Wednesday, 27 March 2024 at 10.00 a.m.

Councillor Wallace left the meeting at this point and did not return.

57. 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

18 & 19 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.

58. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Corporate Risk Management Update

Members consider a confidential appendix in relation to item 14 on the agenda (a copy of which has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

Members were informed that contingency plans following adverse weather continued to be improved and emerging issues addressed, including those regarding digital services and PAT testing of emergency equipment.

RESOLVED that the appendix be noted.

Councillor J. Reid declared his interest at this point and withdrew from the meeting during consideration thereof.

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

Group Audit Committee: Update on Internal Audit work in relation to active group entities

K. McDonald, Head of Internal Audit and Risk Management presented the report which sought to update Group Audit Committee on progress against planned internal audit activity in relation to Advance Northumberland, including a summary of work finalised since the previous update to Group Audit Committee in September 2023. This report was presented to Advance Northumberland Audit Committee on 30 November 2023. (A copy of the report has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

RESOLVED that the Audit Committee notes the Advance Northumberland: Internal Audit Update Report provided at Appendix 1 and considers this report 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.....

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NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

**MONITORING REPORT / ACTION LIST
2023-24**

D. Towns, Vice-Chair of Audit Committee
E-mail David.Towns@northumberland.gov.uk

NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE ACTION LIST

| Ref | Date | Report | Action | To be actioned by | Outcome |
|------------|-------------|----------------|--|--|--|
| 1. | 28.09.22 | Caller Report | Regular updates on progress made to address issues raised from the Caller Report including monitoring progress on the Action Plan and the subsequent recommendations of the Challenge Board. For the item to be placed on the Work Programme. | Executive Director for Resources & Transformation (S151) to update when appropriate. | Last update produced for November 2023 meeting. |
| 2. | 27.09.23 | Member Request | Report on past dismissals of statutory officers. | Head of Internal Audit & Risk Management | In progress |
| 3. | 27.09.23 | Member Request | Further report on the legality of exit payments. | Exec Director of Transformation and Resources (S151) and Director of Law & Governance (MO) | In progress |
| 4. | 31.1.24 | Member Request | Members to be advised of the legal definitions of illegal and unlawful. | Monitoring Officer | Email to be sent to Members of the Audit Committee |
| 5. | 31.1.24 | Member Request | Information previously shared with Cllr Dale on Borderlands Project be circulated to the wider committee including additional information on its accountability and assurance framework. | Exec Director of Transformation and Resources (S151) and Director of Law & Governance (MO) | Completed |

WORK PROGRAMME

| ISSUE |
|---|
| 27 March 2024 |
| Internal Audit, Risk Management & Corporate Fraud Counter Fraud Update Strategic Audit Plan 2024/25 Annual Audit Committee Work Programme Annual Review of Audit Committee Effectiveness Update on Internal Audit work in relation to active group entities |
| Corporate Finance Group Boundary Review 2023/24 Annual Governance Statement 2023/24 |
| External Audit Audit Progress Report |
| Reports from Other Service Areas Education & Safeguarding Performance – Review of External Inspection Reports |
| 29 May 2024 |
| Internal Audit, Risk Management & Corporate Fraud |
| Corporate Finance |

External Audit

Reports from Other Service Areas

MEETING DATES TO BE CONFIRMED/SCHEDULED

- Monitor any impacts from recent changes within Adult Social Care and wider NHS changes where/when appropriate.

Delay to July 2024 Meeting

- Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024



Northumberland County Council

Audit Committee

Wednesday, 27 March 2024

Audit Committee Work Programme 2024/25

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of this report is to propose a programme of core business for the Audit Committee for 2024/25, in accordance with its Terms of Reference as set out in the Council's Constitution.

3. Recommendations

3.1 It is recommended that Audit Committee agrees:

- 1) the proposed 'core business' work programme set out within the report, for 2024/25;
- 2) that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues, and to respond to emerging trends during the year; and
- 3) that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference, in the usual way.

4. Background

4.1 An Audit Committee work programme is developed annually to drive the frequency and duration of meetings, ensuring the Committee receive adequate coverage of assurance reports whilst maintaining an appropriate focus on business concerns and minimising the resource requirements in their preparation and presentation.

- 4.2 The work programme is also useful to officers in planning, monitoring and managing reporting throughout the year. Accordingly, the previous work programme has been reviewed to identify a proposed work programme for 2024/25.
- 4.3 This updated programme reflects known changes in service delivery; ensures that legal requirements relating to governance, risk and control obligations can be met; and aims to ensure that the Audit Committee receives information at the optimum times during the year to properly perform its role as set out in the Constitution and its Terms of Reference to ensure the Committee is properly able to discharge its duties effectively and efficiently, strengthening the Council's overall governance arrangements.
- 4.4 At its meeting on 4 November 2020 full Council agreed that a Group Audit Committee for all entities within the County Council's accounting group boundary would be established, and that the County Council's Audit Committee would be designated the Group Audit Committee. The County Council's Constitution was updated to reflect this and incorporate Terms of Reference for the Group Audit Committee.
- 4.5 Internal Audit will continue to present an update of its work in relation to the Council's active group entities to each scheduled meeting of the Audit Committee. The active companies within the Council's group currently relate to those within the Advance Northumberland Group of Companies.
- 4.6 The work programme recognises that it is also necessary to update the Audit Committee on an ad-hoc basis, as relevant and topical areas arise during the year. For several years, the work programme has proved very helpful in planning, monitoring and managing reporting to the Audit Committee and, accordingly, has been reviewed to identify a proposed work programme for 2024/25, set out below.

Constitution and Terms of Reference

- 4.7 The Council's Constitution, updated in May 2023 and incorporating the Terms of Reference for the Audit Committee, sets out that the Audit Committee provides assurance on the adequacy of the risk management framework and internal control environment of the Council, has oversight of the financial reporting process and oversees the Council's internal and external audit processes. The Constitution also sets out that the Committee acts as the parent Group Audit Committee for all entities within the County Council accounting group boundary with responsibility for maintaining governance oversight of all group entities.
- 4.8 The Committee's Terms of Reference identify a number of clear roles for the Audit Committee to discharge, throughout the course of the year. Some aspects of the Committee's business are time-bound in nature (e.g. relating to the Council's Accounts, or agreeing future plans of work), whilst other items can reasonably be considered at any point during the year allowing some flexibility in planning the work programme of the Committee. The Committee's Terms of Reference establish a separate set of roles for the Committee to discharge its Group Audit Committee responsibilities.

Identification of Core Business Areas

- 4.9 The Audit Committee's responsibilities as set out in the Constitution can reasonably be expected to form the basis of the core business of the Audit Committee. The work programme is reviewed annually in consultation with lead report authors within

the Council, and the external auditor, to ensure it continues to be based upon the Committee's responsibilities as set out in the Constitution and to ensure that reports are scheduled to reach the Audit Committee at the optimum time during the year.

Proposed Annual Work Programme

- 4.10 The following programme of the core business of the Committee for 2024/25 is proposed. This sets out the suggested timing and frequency of reports in the coming year and ensures that the responsibilities defined in the Constitution can be met. The proposed programme will help to ensure that the Committee continues to receive necessary information at the right time during the year.
- 4.11 The work programme has been prepared in consultation with officers in Internal Audit and Risk Management, Finance, Democratic Services and the external (local) auditor, Mazars LLP.
- 4.12 The work programme should be treated as a helpful guide, and it may be necessary to alter or amend the proposed timing during the year as work progresses. Where this is the case, the relevant report author will be responsible for informing the Chair of the Audit Committee, and Democratic Services.

| Month | Internal Audit, Risk Management & Corporate Fraud | Corporate Finance | External Audit | Reports from Other Service Areas |
|----------------|---|---|---|---|
| May 2024 | <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 Assignments Final Outturn Report (showing performance in achieving the previous year's Strategic Audit Plan from Internal Audit) Update on Internal Audit work in relation to active group entities | <ul style="list-style-type: none"> Annual Governance Statement 2023/24 Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024 | <ul style="list-style-type: none"> Audit Progress Report | |
| July 2024 | <ul style="list-style-type: none"> Risk Management Update Corporate Fraud Annual Report Strategic Audit Plan Monitoring Report Update on Internal Audit work in relation to active group entities | <ul style="list-style-type: none"> NCC Statement of Accounts 2023/24 Treasury Management Annual Report 2023/24 | <ul style="list-style-type: none"> Audit Strategy Memorandum 2023/24 | |
| September 2024 | <ul style="list-style-type: none"> Annual Report from Audit Committee to Council Update on Internal Audit work in relation to active group entities | | <ul style="list-style-type: none"> Final Audit Completion Report 2022/23 Annual Audit Letter 2019/20 Annual Audits Report 2020/21 to 2022/23 | <ul style="list-style-type: none"> FPS Local Pension Board Annual Report Education & Safeguarding Performance – Review of External Inspection Reports |
| November 2024 | <ul style="list-style-type: none"> Key Outcomes from Internal Audit Assignments Strategic Audit Plan Monitoring Report Update on Internal Audit work in relation to active group entities | <ul style="list-style-type: none"> Treasury Management In-year Update Report | <ul style="list-style-type: none"> Audit Progress Report | |

Audit Committee Work Programme 2024/25
Audit Committee ■ Wednesday, 27 March 2024 ■ page 5

| Month | Internal Audit, Risk Management & Corporate Fraud | Corporate Finance | External Audit | Reports from Other Service Areas |
|---------------------------------|--|--|---|--|
| January 2025 | <ul style="list-style-type: none"> • Risk Management Update • Corporate Fraud Update • Strategic Audit Plan Monitoring Report • Approach to preparing the Strategic Audit Plan 2025/26 • Update on Internal Audit work in relation to active group entities | <ul style="list-style-type: none"> • Statement of Accounts 2024/25 - Timetable and Policies • Changes to the Code of Practice for 2024/25 • Treasury Management Strategy Statement for the Financial Year 2025/26 • Minimum Revenue Provision (MRP) • Treasury Management Practices (TMP) • Prudential Indicators (if available) | <ul style="list-style-type: none"> • Audit Progress Report | |
| March 2025 <i>Page 19</i> | <ul style="list-style-type: none"> • Strategic Audit Plan 2024/25 • Annual Audit Committee Work Programme • Annual Review of Audit Committee Effectiveness • Update on Internal Audit work in relation to active group entities | <ul style="list-style-type: none"> • Group Boundary Review 2024/25 | <ul style="list-style-type: none"> • Final Audit Completion Report 2023/24 | <ul style="list-style-type: none"> • Education & Safeguarding Performance – Review of External Inspection Reports |

5. Options open to the Council and reasons for the recommendations

5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee agrees the Work Programme set out in this report, and that it may be necessary to change or adapt the proposed reports to be considered and that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference.

Option 2

Audit Committee does not agree the Work Programme set out in this report.

Option 1 is the recommended option. The proposed approach has been designed to ensure the Audit Committee covers its main areas of responsibility as set out in its Terms of Reference agreed in the Council's Constitution.

6. Implications

| | |
|------------------------------------|---|
| Policy | The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate. The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference. |
| Finance and value for money | Through its review of a range of audit, accounting and governance related items, the Audit Committee assesses the Council's use of financial resources and value for money. There are no financial implications arising from the recommendations set out in this report. |
| Legal | The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the purpose identified by CIPFA in its 2022 publication "Audit Committees: Practical Guidance for Local Authorities and Police". |
| Procurement | There are no procurement implications arising directly from this report. |
| Human resources | There are no human resources implications arising directly from this report. |
| Property | There are no property implications arising directly from this report. |

| | |
|---|---|
| The Equalities Act: is a full impact assessment required and attached? | No - no equalities issues identified Equality Impact Assessment not required. |
| Risk assessment | There are no risk implications arising directly from this report. |
| Crime and disorder | There are no crime and disorder implications arising directly from this report. |
| Customer considerations | There are no direct customer considerations arising from this report. |
| Carbon reduction | There are no carbon reduction implications arising directly from this report. |
| Health and wellbeing | There are no health and wellbeing implications arising directly from this report. |
| Wards | All. |

7. Background papers

Northumberland County Council Constitution, May 2023

8. Links to other key reports already published

Not applicable.

9. Author and Contact Details

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)
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Tony Candlish, Group Assurance Manager
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Audit Committee

Wednesday, 27 March 2024

Audit Committee Arrangements

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Audit Committee contributes to the overall achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

To provide a self-assessment of Audit Committee arrangements and highlight areas where development should be focused to ensure that our Audit Committee arrangements reflect all parts of good practice guidance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. Recommendations

3.1 It is recommended that Audit Committee:

- a) considers and endorses the latest self-assessment of our Audit Committee arrangements against the good practice guidance recommended by CIPFA, attached as **Appendix A**.
- b) agrees that the Head of Internal Audit and Risk Management works with the Chair of Audit Committee, once appointed, to undertake a wider review of Audit Committee arrangements using the revised CIPFA guidance in order to prepare a plan of actions which may be needed to ensure that our Audit Committee arrangements reflect CIPFA's latest guidance.
- c) agrees that this report will form the basis of an annual report from Audit Committee, which will be prepared for presentation to Council, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

4. Background

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees: Practical Guidance for Local Authorities and Police') was published in October 2022.
- 4.2 It is good practice to undertake an annual review of the effectiveness of Audit Committee arrangements. The most recent self-assessment of our Audit Committee arrangements was undertaken and reported to Audit Committee in November 2022. An updated self-assessment against the requirements of the guidance is attached as **Appendix 1**. This reflects the improvements made since November 2022 and again shows that our Audit Committee arrangements reflect the good practice areas recommended by CIPFA.
- 4.3 There are some areas highlighted in the self-assessment in which further development is needed to ensure that the good practice recommended by CIPFA is fully reflected. To help ensure that all good practice arrangements become fully embedded, a wider review of Audit Committee arrangements with Audit Committee members commenced, led by the former Independent Co-opted Chair of Audit Committee before standing down from their position during 2023. It is proposed that the review is progressed by the new Independent Co-opted Chair of Audit Committee, once appointed, and the Head of Internal Audit and Risk Management, to develop a plan of actions which may be needed to ensure that CIPFA's latest good practice is fully reflected.

5. Implications

| | |
|------------------------------------|---|
| Policy | The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate. The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference. |
| Finance and value for money | Through its review of a range of audit, accounting and governance related items, the Audit Committee assesses the Council's use of financial resources and value for money. There are no financial implications arising from the recommendations set out in this report. |
| Legal | The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the purpose identified by CIPFA in its 2022 publication "Audit Committees: Practical Guidance for Local Authorities and Police". |
| Procurement | There are no procurement implications arising directly from this report. |
| Human resources | There are no human resources implications arising directly from this report. |

| | |
|---|---|
| Property | There are no property implications arising directly from this report. |
| The Equalities Act: is a full impact assessment required and attached? | No - no equalities issues identified Equality Impact Assessment not required. |
| Risk assessment | There are no risk implications arising directly from this report. |
| Crime and disorder | There are no crime and disorder implications arising directly from this report. |
| Customer considerations | There are no direct customer considerations arising from this report. |
| Carbon reduction | There are no carbon reduction implications arising directly from this report. |
| Health and wellbeing | There are no health and wellbeing implications arising directly from this report. |
| Wards | (All Wards); |

6. Background papers

The following background papers have been used in the compilation of this report:

- a) Audit Committees: Practical Guidance for Local Authorities and Police, CIPFA, 2022 (P)
- b) Northumberland County Council Audit Committee Terms of Reference
- c) Northumberland County Council Corporate Plan 2023-26, 2023 (P)

7. Links to other key reports already published

Report to Audit Committee ‘Audit Committee Arrangements’, November 2022

8. Author and Contact Details

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)

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Audit Committee Arrangements: Initial Self-Assessment of Good Practice (March 2024)(taken from CIPFA, *Audit Committees: Practical Guidance for Local Authorities and Police*, published October 2022)

CIPFA states that this checklist provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and the wider *Practical Guidance* publication referred to above. CIPFA states:

"Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report."

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|--|-------------------------|-------------------|---|----------------------|-------------------|------------------------|----------|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |

Audit Committee purpose and governance

| | | | | | | | |
|---|---|--|--|--|--|---|---|
| 1 | Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)? | | | | | ✓ | Dedicated Audit Committee established as a full, politically balanced committee of Council. Audit Committee is not combined with any other function. |
| 2 | Does the Audit Committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)? | | | | | ✓ | Minutes of all Audit Committee meetings are considered by the next meeting of full Council. An annual report from Audit Committee to Council was prepared for 2022/23 and will be prepared for the 2023/24 year. |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|---|--|-------------------|---|----------------------|-------------------|------------------------|--|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 3 | Has the committee maintained its advisory role by not taking on any decision-making powers? | | | | | ✓ | |
| 4 | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement? | | | | | ✓ | The Audit Committee's Terms of Reference were updated following the issue of CIPFA's updated guidance and Position Statement in 2022. CIPFA's Position Statement and suggested terms of reference for an Audit Committee have been adopted in full. |
| 5 | Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee? | | | | | ✓ | A review of arrangements, including an evaluation of required training and support for members of Audit Committee and potential wider elected members' training programme, led by the former independent Chair, commenced before the former Chair stood down from their position. The review will be discussed with the new independent co-opted Chair of Audit Committee following appointment. |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|---|---|-------------------|---|----------------------|-------------------|------------------------|--|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 6 | Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles? | | | | | ✓ | The introduction of a monitoring report / action log for Audit Committee helps to ensure that any issues or concerns are escalated for appropriate action. |
| 7 | Does the governing body hold the audit committee to account for its performance at least annually? | | | | | ✓ | See question 2 above. Minutes of all Audit Committee meetings are considered by the next meeting of full Council. An annual report from Audit Committee, for the 2022/23 year, was prepared for presentation to Council. An annual report for 2023/24 will also be prepared for presentation to Council. |
| 8 | Does the committee publish an annual report in accordance with the 2022 guidance, including: | | | | | | See question 2 above. An annual report from Audit Committee, for the 2022/23 year, was prepared for presentation to Council. An annual report for 2023/24 will also be prepared for presentation to Council. |
| | • compliance with the CIPFA Position Statement 2022 | | | | | ✓ | An annual report from Audit Committee, for the 2022/23 year, was prepared for presentation to Council. An annual report for 2023/24 will also be prepared for presentation to Council. |
| | • results of the annual evaluation, development | | | | | ✓ | |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|--|---|-------------------|---|----------------------|-------------------|------------------------|--|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| | work undertaken and planned improvements | | | | | | Annual reports cover all requirements of CIPFA's good practice guidance. |
| | • how it has fulfilled its terms of reference and the key issues escalated in the year? | | | | | ✓ | |

Functions of the committee

| | | | | | | | |
|---|--|--|--|--|--|---|---|
| 9 | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? | | | | | | |
| | Governance arrangements | | | | | ✓ | The Audit Committee's Terms of Reference were updated following the issue of CIPFA's updated guidance and Position Statement in 2022. CIPFA's Position Statement and suggested terms of reference for an Audit Committee have been adopted in full, including reference to all core areas. |
| | Risk management arrangements | | | | | ✓ | |
| | Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption | | | | | ✓ | |
| | Annual governance statement | | | | | ✓ | |
| | Financial reporting | | | | | ✓ | |
| | Assurance framework | | | | | ✓ | |
| | Internal audit | | | | | ✓ | |
| | External audit | | | | | ✓ | |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|---|-------------------|---|----------------------|-------------------|------------------------|---|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 10 | Over the last year, has adequate consideration been given to all core areas? | | | | | ✓ | Core areas are considered when developing and agreeing the Audit Committee's work programme each year. This area will be assessed further as part of a wider review of Audit Committee arrangements, to be discussed with the new independent co-opted Chair of Audit Committee following appointment. |
| 11 | Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance? | | | | | ✓ | 'Wider functions' such as Treasury Management and External Assessment Reports are included within the Audit Committee's agreed annual work programme, with core functions as set out in CIPFA's guidance. There is a need to continue to maintain a distinction between the roles of Audit Committee and the Scrutiny function. This area will be assessed further as part of a wider review of Audit Committee arrangements, to be discussed with the new independent co- |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|---|-------------------|---|----------------------|-------------------|------------------------|---|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| | | | | | | | opted Chair of Audit Committee following appointment. |
| 12 | Has the committee met privately with the external auditors and head of internal audit in the last year? | | | | | ✓ | Arrangements are in place to allow Audit Committee to meet privately with the external auditors and Head of Internal Audit & Risk Management when required. |

Membership and support

| | | | | | | | |
|----|--|--|--|--|--|---|--|
| 13 | Has the committee been established in accordance with the 2022 guidance as follows? | | | | | | |
| | • Separation from executive | | | | | ✓ | |
| | • A size that is not unwieldy and avoids use of substitutes | | | | | ✓ | |
| | • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation | | | | | ✓ | |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|--|-------------------|---|----------------------|-------------------|------------------------|---|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 14 | Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled? | | | ✓ | | | <p>As a local authority, members of our audit committee are appointed from current serving elected members.</p> |
| 15 | Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years? | | | ✓ | | | <p>The required knowledge, skills and training needs have previously been discussed with Audit Committee members with no issues identified. A review of arrangements, including an evaluation of required knowledge, skills, training and support for members of Audit Committee and potential wider elected members' training programme, led by the former independent Chair, commenced before the former Chair stood down from their position. The review will be discussed with the new independent co-opted Chair of Audit Committee following appointment.</p> <p>Knowledge and skills are specifically considered when appointing independent co-opted members.</p> |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|---|-------------------|---|----------------------|-------------------|------------------------|---|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 16 | Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance? | | | ✓ | | | See questions 14 and 15 above. Whilst some training and support has been provided to Audit Committee, it is proposed that an appropriate training programme is assessed as part of a wider review of Audit Committee arrangements, using the 2022 guidance, following the new independent co-opted Chair of Audit Committee's appointment. |
| 17 | Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance? | | | | ✓ | | |
| 18 | Is adequate secretariat and administrative support provided to the committee? | | | | | ✓ | |
| 19 | Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO? | | | | | ✓ | |

Effectiveness of the committee

| | | | | | | | |
|----|---|--|--|--|---|--|---|
| 20 | Has the committee obtained positive feedback on its performance from those interacting with the | | | | ✓ | | An annual report from Audit Committee for 2022/23 was presented to Council, where Audit Committee was thanked for its work. |
|----|---|--|--|--|---|--|---|

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|--|-------------------|---|----------------------|-------------------|------------------------|---|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| | committee or relying on its work? | | | | | | This area will be discussed further with the new independent co-opted Chair of Audit Committee following appointment. |
| 21 | Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement? | | | | | ✓ | |
| 22 | Are meetings effective with a good level of discussion and engagement from all the members? | | | | | ✓ | |
| 23 | Has the committee maintained a non-political approach to discussions throughout? | | | | | ✓ | This has regularly been discussed with Audit Committee and reinforced by the Chair during the year. |
| 24 | Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | | | | | ✓ | Audit Committee has been attended by a range of officers, according to the content of reports presented. Inviting responsible officers to attend Audit Committee to discuss audit findings or risks has previously been considered and is an option open to Audit Committee. It is |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|---|-------------------|---|----------------------|-------------------|------------------------|--|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| | | | | | | | proposed that this is considered as part of a review following the appointment of the new independent co-opted Chair. |
| 25 | Does the committee make recommendations for the improvement of governance, risk and control arrangements? | | | | | ✓ | It would not be usual for recommendations from Audit Committee to be made regularly, but this is a facility which Audit Committee has utilised when appropriate. |
| 26 | Do audit committee recommendations have traction with those in leadership roles? | | | | | ✓ | This has been helped by the introduction of the monitoring report / action log for Audit Committee. This has been introduced to help ensure that any request / recommendation of Audit Committee can be recorded and the log is considered and reviewed as a standing agenda item of Audit Committee meetings. It is proposed that the review following the appointment of the new independent co-opted Chair includes evaluating how Audit Committee interacts with other areas of the organisation. |

| | Good Practice Questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies | Comments |
|----|---|-------------------|---|----------------------|-------------------|------------------------|--|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| 27 | Has the committee evaluated whether and how it is adding value to the organisation? | | | | ✓ | | Audit Committee has previously evaluated value added as part of earlier reviews of Audit Committee arrangements. It is proposed that this evaluation is undertaken as part of a wider review following the appointment of the new independent co-opted Chair. |
| 28 | Does the committee have an action plan to improve any areas of weakness? | | | | ✓ | | An action plan will be developed, including actions arising from the self-assessment and from the proposed review and reported back to future meetings of Audit Committee. |
| 29 | Has this assessment been undertaken collaboratively with the audit committee members? | | | | | ✓ | The assessment has been undertaken with Deputy Chair of Audit Committee and all members of the Audit Committee consulted, prior to discussion of the self-assessment by Audit Committee. |

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Audit Committee

Wednesday, 27 March 2024

Review of External Inspection Reports - Adult Social Care and Children's Services

Report of Councillor(s) Guy Renner-Thompson, Cabinet Member for Inspiring Young People and Wendy Pattison, Cabinet Member for Caring for Adults.

Responsible Officer(s): Neil Bradley, Executive Director for Adults, Ageing & Wellbeing, and Audrey Kingham, Executive Director for Children, Young People & Education

1. Link to Key Priorities of the Corporate Plan

This report relates to the Tackling Inequalities priority of the 2023-2026 Corporate Plan.

2. 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 July 2023 to 31st December 2023.

3. Key Issues

- 3.1 Northumberland's residents are protected, cared for and supported by services that external bodies judge to be good on the whole, and where they fall below that, the Council acts promptly where it is within its powers.
- 3.2 88.0% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of December 2023, a further increase from the position in the last report (86.7% at the end of June 2023). Section 5.1 describes what actions are taken when the Care Quality Commission (CQC) judges' provision as being less than Good. Northumberland is performing above the equivalent national figure where 83% of services with a rating are Good or Outstanding.
- 3.3 Adult Social Care have received notification that they will be inspected by the CQC in the next six months. The initial information request was responded to by 8th March.

- 3.4 Inspections of children's residential homes have continued and there have been 4 inspections during the period. Four of the five units are judged to be Good, with Phoenix House judged as Requires Improvement when it was inspected in the autumn. Section 5.2.1 provides further detail.
- 3.5 The Council's Youth Justice Service was inspected in April by Her Majesty's Probation Inspectorate. With an overall judgement of Good, three areas were singled out as Outstanding and there were two recommendations that required following up. Section 5.2.2 details the progress on these.

Inspections of schools have been positive overall, leading to an increase in the proportion judged Good or Outstanding which is the highest in the northeast region. 95% of Northumberland's schools are judged by Ofsted to be Good or Outstanding compared to 90% nationally. Section 5.2.4 provides further detail.

- 3.6 Inspections of early years providers continue, and the vast majority are judged to be Good or Outstanding (97%), similar to the national average. Section 5.2.5 provides further detail.
- 3.7 Preparation for the Inspections of Children's Social Care (ILACS), Special Educational Needs and Disabilities (SEND), and Northumberland Skills continues.

4. Forward plan date and reason for urgency if applicable

10 Jan 2024

5. Background

The report focuses on inspection activity undertaken by the CQC and Ofsted between July 2023 and December 2023.

5.1 Adult Social Care CQC inspection status

88.0% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of December 2023, compared to 86.7% at the end of June 2023. The equivalent figure for national ratings was 83% at the end of December 2023.

The table overleaf describes the new registration and published inspection activity that has taken place between July 2023 and January 2024. It provides the detail of what settings / services have been inspected so that Elected 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. This involves Council officers working to support the provider on whatever the issues are that have led to the deterioration in rating. This can be any one of the five domains that CQC inspects although the management of the home and the assessment of whether it is 'well led' is the most common area for care homes to struggle with compliance.

There are currently no services rated "Inadequate" with the one establishment with this rating having moved to "Requires Improvement." Where a service has been rated Inadequate, the volume and complexity of issues requires more intensive and prolonged officer input. It may also require the Council to restrict new placements

into a service for safety reasons and to ensure the service can direct resources to rectifying problems.

The work of Council teams and colleagues in the NHS aimed at improving overall quality is achieving positive results and we can see improvements where the work has been put in to rectify adverse ratings. Council officers continue to monitor services proactively and to provide overall support to the market to maintain positive ratings, although these are independent organisations operated and controlled by their own managers. The recruitment and retention of staff in social care services continues to cause challenges and is a significant drain on provider resources and the Council continues to support with local and national initiatives to resolve this although it remains a problem throughout the country. There have been some signs of the situation improving since April 2023 although there remain concerns that recruitment and retention problems have not been resolved at a structural level.

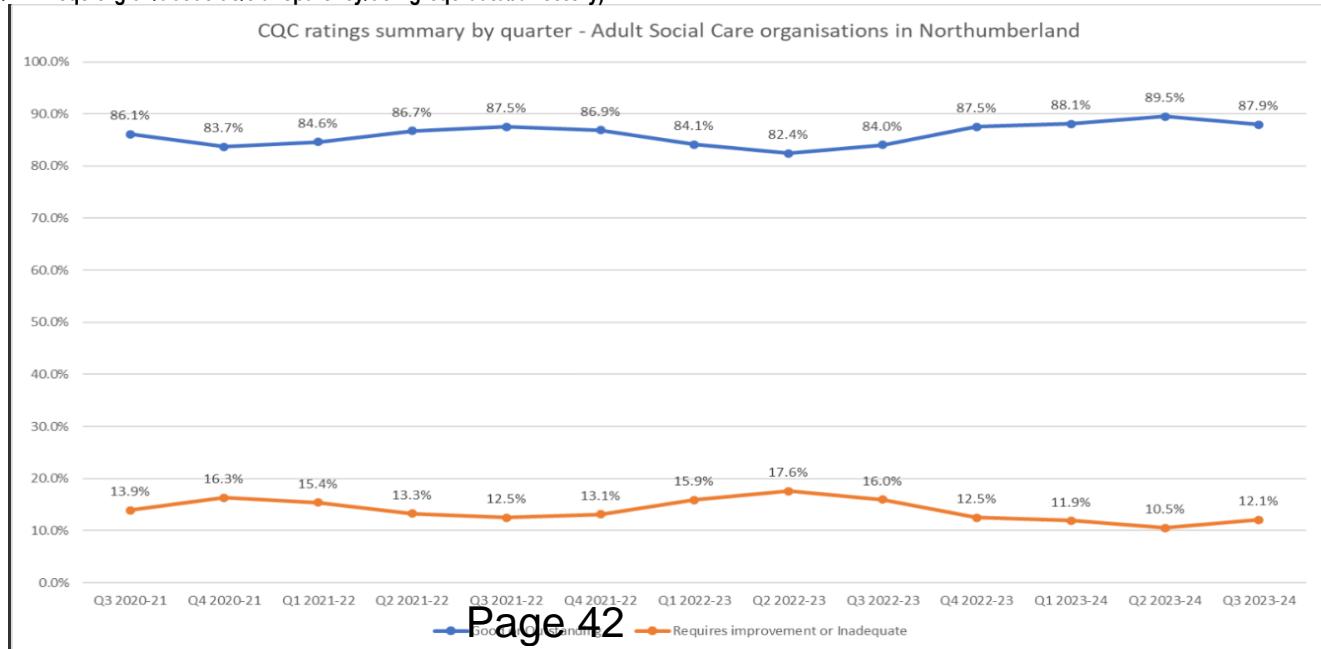
CQC-registered locations in Northumberland - with an inspection published or registration change in the last 6 months

Period:

| Status | Location Name | Location Primary Inspection Category | Rating July 23 | Rating January 24 | Publication Date |
|------------------|--|--|----------------------|----------------------|------------------|
| Changed | Beachville West End | Residential social care | Requires improvement | Good | 15/07/2023 |
| Changed | Time to Care Specialist Support Services Limited | Community based adult social care services | Requires improvement | Good | 03/08/2023 |
| Changed | Havendene Residential Home | Residential social care | Requires improvement | Good | 12/08/2023 |
| Changed | Oaklands | Residential social care | Requires improvement | Good | 12/07/2023 |
| Changed | Alexandra Park | Community based adult social care services | Inadequate | Requires improvement | 05/10/2023 |
| Changed | Wentworth Grange | Residential social care | Good | Requires improvement | 06/12/2023 |
| Changed | Bentinck Crescent | Residential social care | Good | Requires improvement | 23/11/2023 |
| Changed | Ridley Park | Residential social care | Outstanding | Good | 31/08/2023 |
| Newly registered | Deneholme Care Centre | Residential social care | #N/A | | |
| Reregistered | Cramlington House | Residential social care | #N/A | Good | 26/03/2019 |
| Reregistered | Holywell House Care Centre | Residential social care | #N/A | Good | 11/06/2022 |
| Reregistered | Bluebell Manor | Residential social care | #N/A | Requires improvement | 24/06/2023 |
| Reregistered | Blythgate Manor | Residential social care | #N/A | Requires improvement | 09/06/2023 |
| Unchanged | Bell View Help at Home Ltd | Community based adult social care services | Good | Good | 21/07/2023 |
| Unchanged | Bluebird Care (Northumberland South) | Community based adult social care services | Good | Good | 11/08/2023 |
| Unchanged | No 11&12 Third Row | Residential social care | Good | Good | 04/01/2024 |
| Unchanged | Keele Drive | Community based adult social care services | Good | Good | 09/12/2023 |
| Unchanged | Flexible Support Options Limited (Pengarth) | Residential social care | Good | Good | 12/07/2023 |
| Unchanged | Mountview | Residential social care | Good | Good | 27/07/2023 |
| Unchanged | West STSS (Short Term Support Service) Hexham | Community based adult social care services | Outstanding | Outstanding | 05/09/2023 |
| Unchanged | North STSS (Short Term Support Service) Berwick | Community based adult social care services | Outstanding | Outstanding | 06/09/2023 |
| Unchanged | Wilkinson Park | Residential social care | Requires improvement | Requires improvement | 24/10/2023 |
| Unchanged | Shared Lives Northumberland | Community based adult social care services | Good | Good | 05/01/2024 |
| Unchanged | Livability Hallgate | Community based adult social care services | Good | Good | 14/12/2023 |
| Unchanged | The Oaks Care Home | Residential social care | Requires improvement | Requires improvement | 24/08/2023 |
| Unchanged | Livability Beaumont Court | Community based adult social care services | Good | Good | 09/12/2023 |
| Unchanged | YourLife(Ponteland) | Community based adult social care services | Good | Good | 08/07/2023 |
| Unchanged | Forget me not homecare services Ltd | Community based adult social care services | Good | Good | 09/12/2023 |

Source: CQC Active Locations register dated 05 January 2024/ 03 July 2023

(available at <https://www.cqc.org.uk/about-us/transparency/using-cqc-data#directory>)



5.1.1 Local Authority Managed Inspected Services

| 5.1 SERVICE | 5.2 DATE LAST INSPECTED | 5.3 INSPECTION OUTCOME |
|---|---|--|
| Hatfield Chase | 15.6.22 | Requires Improvement |
| Sea Lodge | 14.11.18 31.8.22 (targeted inspection for safe and well led) | Good Inspected but not rated. No areas for concern identified |
| Shared Lives | 23.10.23 (Targeted Inspection) | Overall Good Targeted inspection looking at Safe and Well Led, (both domains received a rating of good), however the Caring domain was also inspected and received outstanding (previous rating was good) |
| Tynedale House | 4.12.19 9.12.20 (Focused Visit) | Overall Outstanding Good practice in Infection, prevention & Control |
| STSS (Short Term Support Service) - Alnwick | 24.11.23 (Targeted inspection) | Overall Outstanding at previous inspection in February 2018. The formal inspection report and rating from November 2023 inspection is still awaited |
| STSS - Berwick | 19.7.23 (Targeted Inspection) | Overall Outstanding Targeted inspection looking at Safe and Well Led, (both domains received a rating of good) |
| STSS – South / Central | 22.11.23 (Targeted Inspection) | Overall Outstanding Targeted inspection looking at Safe and Well Led, (Safe was rated as good and Well Led was rated as outstanding) |

| | | |
|-------------|-------------------------------|---|
| STSS - West | 31.7.23 (Targeted Inspection) | Overall Outstanding Targeted inspection looking at Safe and Well Led, (both domains received a rating of good) |
|-------------|-------------------------------|---|

During the last quarter a further 3 of our Registered services received a targeted assessment from the CQC around the domains Safe and Well Led – Shared Lives on 23rd October 2023 who received Good overall but also had the Caring domain assessed which moved from Good to Outstanding. Southeast STSS were assessed on 22nd November and retained their Outstanding status whilst Alnwick STSS were assessed on 24th November – the report is still awaited.

The CQC published the findings from the 5 pilot sites of the local authority assessments undertaken:

- Birmingham City Council – indicative rating of Good
- Lincolnshire County Council – indicative rating of Good
- North Lincolnshire Council – indicative rating of Good
- Nottingham City Council – indicative rating of Requires Improvement
- Suffolk County Council – indicative rating of Good

They identified four key themes across all 5 local authorities. These are:

- Outcomes for people were better where there was good partnership working, including with voluntary and community partners as well as health partners.
- Integrated working around discharging people from hospital was working and had improved the flow out of hospitals.
- Staff tended to stay with a local authority when they felt valued, had learning and development opportunities, and where there was a positive culture.
- There were different practices across the 5 local authorities in how they worked with young people who are transitioning from children's services to adult services, so young people's experiences were varied.

The assessment process for all Local Authorities was expected to begin from December 2023 and all 153 Local Authorities will be assessed by March 2025. Northumberland County Council Adult Services have received their 'Information Request' on Monday 19th February. We are required to provide specific information covering 38 areas / topics which includes:

- service user / carer / staff feedback (including compliments and complaints)
- performance information; financial / direct payments information
- care planning / assessment / reviews (including provision of information for informed choice; waiting lists)
- provision of aids and equipment to promote independence.
- inclusion and accessibility

- reducing inequalities strategy (including people being at risk of having unmet needs or poor outcomes because of their protected characteristics)
- out of area placements
- commissioning strategies
- demand and capacity and market sustainability (including social care workforce) in commissioned services for home care, residential and nursing care homes, supported living and how we monitor quality across them.
- use of the Better Care Fund
- Market Position Statement
- partnership working and the pathways in place when people move between services.
- support for unpaid carers
- contingency planning
- safeguarding
- governance arrangements including strategic plan, risk registers, organisational structures and frameworks, learning and improvement plans, workforce development.
- co-production.

We had 3 weeks to gather the evidence and return it to the CQC by Friday 8th March 2024. We are also required to provide details of our voluntary sector partners, providers, and stakeholders, and prior to our on-site visit they will contact these organisations to gain feedback on how well we engage and work in partnership with them. We have been informed that we can expect an on-site visit within the next 6 months and that we will receive approximately 6 – 8 weeks' notice of the formal assessment. The CQC are anticipating that all assessments carried out will include 2 days on site, but this is dependent on size and complexity of organisations. We will be given a rating of either Outstanding, Good, Requires Improvement or Inadequate.

5.2 Children's Services

This report features several types of inspection activity in Children's services: notably the Council's residential homes for children; the inspection of the Youth Justice Service; schools and early years provision.

5.2.1 Children's residential homes

During this reporting period 4 of our 5 local authority children's residential homes have been inspected by their regulatory body, Ofsted. This figure of 80% is just higher than the national average of 79%. At the time of writing this summary Barndale still requires their annual inspection for 2023/2024. This will take place before 31st March 2024.

| Home | Judgement | Comments |
|-------------|-------------------------|--|
| Kyloe | Good (Prev Outstanding) | The inspection for Kyloe house remained positive with an acknowledgement of a high standard of care. However, they were unable to maintain their Outstanding rating due to their education provision being identified as Required improvement. |

| | | |
|-----------|----------------------------------|--|
| Barndale | Good (Prev Outstanding) | Have yet to be inspected for the 2023-24 reviewing schedule. |
| Coanwood | Good (Prev Good) | |
| Phoenix | Requires Improvement (Prev Good) | |
| Thorndale | Good (Prev Good) | Retention and recruitment of staff has remained difficult within the service. This has continued to have an impact on the quality of care across the whole service. The ability for 2 homes to remain Good is a significant achievement. However, it did impact upon the rating for Phoenix House. |

Ofsted stated that at Kyloe House, managers and staff prioritise children's safety. They have a comprehensive understanding of each child's needs, the risks to their safety and their vulnerabilities. Managers and staff recognise how children's experiences and past traumas may impact on their behaviour.

This reinforces that the children living in Kyloe House continue to receive a high standard of care. However, due to the education provision requiring improvements they were unable to maintain their Outstanding rating. A comprehensive improvement plan is currently being implemented to enhance the experience and outcomes within our education provision.

5.2.2. [REDACTED] Youth Justice Service

The Council's Youth Justice Service was inspected in April by His Majesty's Probation Inspectorate. With an overall judgement of Good, three areas were singled out in July's report as "Outstanding", one of these being the ambition, commitment and young person-centred approach of our staff, partners and leaders. There were two actions arising from the inspection:

- a. Ensure that the voice of children and their parents and carers is more robustly heard and utilised at strategic decision-making level - this is still work in progress and an area of development for the new participation lead worker. Participation is a standard agenda item at the Youth Justice management board.
- b. Forensically analyse and segment out-of-court (OOC) data, use findings to identify what works well, and utilise this to influence strategic and operational practice - updates provided at Youth Justice management board in October 2023 where a detailed OOC report was provided. It is also scheduled for the next meeting agenda for any feedback or views.

Progress on these actions will be monitored through the multi-agency Youth Justice Management Board.

5.2.3 Future Children's Social Care Inspection activity

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 full inspection of the Council's Children's Services which will involve 5 day's preparation following notification and then 5 days of fieldwork. Prior to this, Children's Social Care participated in the Annual Engagement Meeting with Ofsted on 5th March and the formal feedback is awaited.

5.2.4 SCHOOL INSPECTIONS

Between 1st July and 31st December 2023, 31 inspections took place. Schools that have no previous grade have academised since their last inspection.

| | Previous Grade | Current Grade |
|---|----------------------|----------------------|
| Berwick St Marys C of E First School | Good | Good |
| Felton C of E Primary School | Good | Good |
| Meadowdale Academy | Good | Good |
| Richard Coates C of E Primary School | Good | Good |
| St Mary's Catholic First School | - | Good |
| Wylam First School | - | Good |
| St Matthew's Catholic Primary School | Good | Good |
| Bedlington Station Primary School | Good | Good |
| Ovingham Church of England First School | - | Good |
| Ss Peter and Paul's Catholic Primary Academy | Requires Improvement | Good |
| Bothal Primary School | Good | Outstanding |
| Central Primary School | Requires Improvement | Good |
| St Bede's Catholic Primary School | - | Requires Improvement |
| Hipsburn Primary School | Outstanding | Good |
| Ponteland Community Primary School | - | Good |
| Darras Hall Primary School | - | Outstanding |
| St Wilfrid's Catholic Primary School | - | Requires Improvement |
| Allendale Primary School | Good | Good |
| Lowick C of E Primary School | Good | Good |
| Holy Island C of E Primary School | Outstanding | Good |
| Broomhaugh C of E First School | Outstanding | Good |
| Harbottle C of E First School | - | Good |
| Holy Trinity C of E Aided First School | Good | Good |
| Bedlington Whitley Memorial C of E Primary School | Good | Requires Improvement |
| Swansfield Park Primary School | Outstanding | Good |
| Belsay Primary School | - | Good |
| Cambo First School | Outstanding | Good |

The overall figure for the percentage of first/primary schools judged by Ofsted as Good or Outstanding was 95.9% at the end of December 2023, which is above the national average of 91%. This equates to 118 / 123 schools. Three of the First / Primary schools inspected in the period were judged to be less than Good, two are Catholic academies, the other a maintained school.

Secondary/High schools:

| | Previous Grade | Current Grade |
|------------------------------------|----------------|---------------|
| Seaton Sluice Middle School | Good | Good |
| St Joseph's Catholic Middle School | - | Good |
| Prudhoe Community High School | - | Good |

The overall figure for the percentage of secondary schools judged by Ofsted as Good or Outstanding was 86.7% at the end of December 2023, which is above the national average of 83%. This equates to 26 / 30 schools.

Special Schools:

| | Previous Grade | Current Grade | Monitoring Visit |
|------------------------------|----------------|---------------|-------------------------|
| Emily Wilding Davison School | Inadequate | Inadequate | Taking Effective Action |

The overall figure for the percentage of special schools judged by Ofsted as Good or Outstanding was 80% at the end of December 2023, which is below the national average of 90%. This equates to 8 / 10 schools (including the Pupil Referral Unit).

A School Improvement Board was instigated at Emily Wilding Davison School. LA (Local Authority) staff, governors and the school leadership team meet monthly to drive improvements forward. The school is clearly much improved, as noted by Ofsted who visited it in November 2023.

5.2.5 EARLY YEARS EDUCATION & CHILDCARE

23 graded Ofsted inspections of early years and childcare providers in Northumberland were carried out between 1st July and 31st December 2023. Of these:

- 12 were inspections of childminder settings:
 - 10 Good
 - 1 Compliant
 - 1 Non-Compliant
- 11 private, voluntary or independent (PVI) group settings were inspected:
 - 8 Good
 - 2 Requires Improvement
 - 1 Inadequate

All providers receiving a less than Good judgement have been supported by the Early Years Team to address highlighted issues.

To date 97% of the total number of early years and childcare providers in Northumberland are judged as being Good or better. This is the same as the all-England figure of 97%. This figure equates to 177 out of 183 providers.

5.2.6 SEND (Special Educational Needs and Disabilities)

The new Area-wide inspection framework was released by Ofsted in November 2022. It has been shaped by the pilot that Northumberland participated in back in March 2022. It is a graded inspection that focuses on the lived experience of children and young people with SEND, and their families. Three areas within the northeast region have been inspected under this framework, namely Hartlepool, Gateshead and Middlesborough. Preparation of the documents required for the inspection is underway and overseen through the SEND Partnership Board.

5.2.7 NORTHUMBERLAND SKILLS

Northumberland Skills is expecting its Further Education and Skills inspection for those aged 16+. It will be a graded inspection that will judge Overall effectiveness, as well as 8 sub domains, namely: quality of education; behaviour and attitudes; personal development; leadership and management; education programmes for young people; adult learning programmes; apprenticeships; and provision for learners with high needs. The grading at the previous inspection in 2018 was Good.

Options open to the Council and reasons for the recommendations

The Committee is recommended:

To assess the effectiveness of the actions the Council takes in response to external inspections and confirm an assurance that the Council is taking appropriate action in respect of any issues.

Implications

| | |
|------------------------------------|---|
| Policy | Raising standards in social care and education are Council priorities. |
| Finance and value for money | None |
| Legal | <p>The committee's terms of reference state that it has a function to consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council. The results of external inspections are an independent view on an aspect of the County Council's framework of governance and the external inspections referenced in this report are included in the Annual Governance Statement which this committee reviewed in January.</p> <p>Inspections are carried out under the legislative framework set out in:</p> |

| | |
|---|--|
| | <ol style="list-style-type: none"> 1. For educational provisions section 5 of the Education Act 2005, section 125 of the Education and Inspections Act 2006, and Childcare Act 2006. 2. For Adult Social Care under the Care Quality Commission regulatory framework. <p>For Children's Social Care under the Inspecting Local Authority Children's Services (ILACS) regulatory framework.</p> |
| Procurement | None |
| Human resources | Regulatory inspections assess compliance with HR (Human Resources) policies. |
| Property | None |
| The Equalities Act: is a full impact assessment required and attached? | <p>No - no equalities issues identified</p> <p>No groups could be disadvantaged as a result of this report.</p> |
| 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 and disorder | None |
| Customer considerations | Ensuring that external inspections are properly followed up provides assurance that service weaknesses are being addressed. Northumberland's residents are protected, cared for and supported by services that external bodies judge to be Good on the whole, and where they fall below that, the Council acts promptly where it is within its powers. |
| Carbon reduction | More meetings are taking place virtually and hence the need to travel is less. |
| Health and wellbeing | Inspections take health and wellbeing into account when making judgements about their findings. |
| Wards | All Wards |

Background papers

Care Quality Commission Active Locations Register
 NCC (Northumberland County Council) list of school inspections

Links to other key reports already published

Not applicable

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Audit Committee

Wednesday, 27 March 2024

Corporate Fraud Interim Report

Report of Councillor(s) Cllr. Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation (S151)

1. Link to Key Priorities of the Corporate Plan

The work of the Corporate Fraud Team and the Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of this report is to update Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2023 – 30 September 2023.

3. Recommendations

- 3.1 It is recommended that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team, and Counter Fraud Risk Assessment attached as Appendix 1, as part of Audit Committee's role in maintaining governance oversight of counter-fraud activity as part of the overall framework of governance, risk management and control.

4. Background

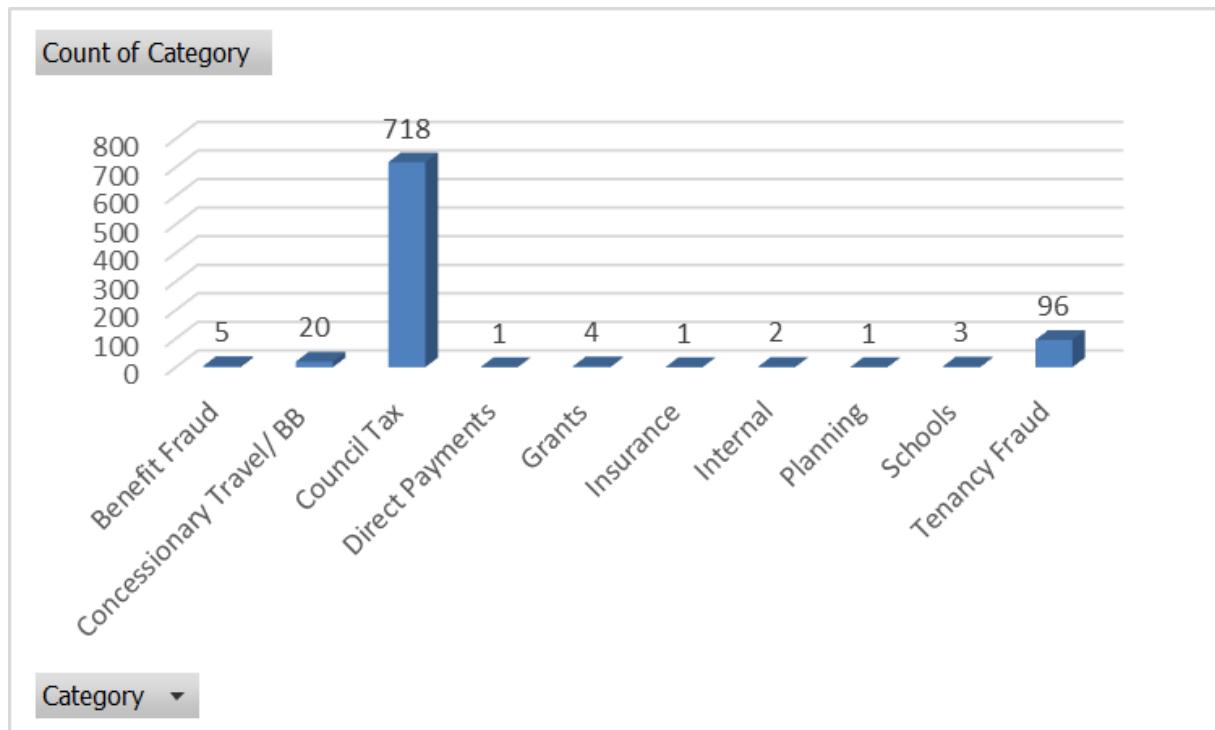
- 4.1 The Council is committed to providing an effective Anti-Fraud Service, supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the Council and by ensuring that effective measures are in place to prevent, detect, investigate, and report fraud we can ensure that public money is spent where it should be, on services for the community.
- 4.2 Failure to investigate fraud will see money leaving the Council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council. It is therefore important to demonstrate that

resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses to provide assurance of the quality and integrity of investigations.

- 4.3 The Corporate Fraud Team forms part of the Council's Internal Audit and Risk Management Service. During this reporting period the Corporate Fraud Team was resourced by 5 full time officers. A two-year project to review all households receiving Single Person Discount (SPD) on their Council Tax liability commenced in August 2022. Two fixed-term posts were subsequently created, with one post becoming vacant on 1 September 2023.

Performance April 2023 – September 2023

- 4.4 During this period, 761 referrals were opened and 851 closed. With the exception of Right to Buy (RTB) verification and SPD data matches, these were reactive referrals, where a report of a suspicion of fraud had been received. The chart below details the case categories for the 851 referrals closed. Council Tax is by far the largest area of investigation, a large proportion of these come from the SPD review project. Further details of this project are provided at paragraphs 4.9 to 4.13.



- 4.5 The team were responsible for achieving fraud prevention, detection, and identification values shown in the table below.

| Result Type | Total Achieved | Comment |
|---------------------------------|--|--|
| Housing Tenancy | £474,100 | 1 Illegal eviction prevented 11 Properties recovered |
| Right to Buy & Right to Acquire | NCC £494,700 Karbon £0 Bernicia £175,598 | 42 received / 10 withdrawn * 2 Received / 0 withdrawn 18 received / 7 withdrawn |
| Council Tax | £23,921 £187,508 £8,765 | Council Tax Support / Council Tax Reduction (CTR) Single Person Discount Exempt properties / new liabilities |
| Blue Badge | £100 | 2 disabled parking badges cancelled |
| Covid 19 relief | £10,000 | This figure includes business grants and self- isolation payments |
| Housing Benefit | £8,752 | We no longer investigate HB, overpayments are automatically created alongside CTR reassessments. |
| Total | £1,383,444 | |

Table 1: Investigation Team Performance from 1 April – 30 September 2023

* In addition to the savings outlined above, the 10 properties remain part of our housing stock and continue to generate rental income although no evaluation has been made of the additional income that this will provide for the Council each year.

- 4.6 Additional external income totalling £7,000 was also generated during the period, as detailed in the table below.

| Source | Value | Reason |
|--------------------------|---------------|-----------------------------------|
| Administration Penalties | £1,000 | 1 Administration Penalty accepted |
| Bernicia (RTB) | £5,400 | 18 Applications x £300 |
| Karbon (RTB) | £600 | 2 Applications x £300 |
| Total | £7,000 | |

Table 2: Additional income generated from 1 April – 30 September 2023

- 4.7 Following the relaxing of Covid restrictions, the Corporate Fraud Team have returned to face-to-face interviews and more criminal-focused investigations. This has resulted in us being able to consider relevant sanctions and prosecution. Investigations closed with successful criminal sanctions are therefore increasing and those sanctions during the period are summarised in the table below.

| Sanction Type | Number | Details |
|---|---------------|---|
| Administration Penalty (Only applicable in CTS investigations) | 1 | 1 – Council Tax Support (CTS) overpayment |
| Caution | 5 | 2 – Council Tax Support (CTS) overpayment 2 – Bus Pass 1 – Blue Badge |
| Total | 6 | |

Table 3: Completed investigations resulting in successful sanctions from 1 April – 30 September 2023

Preventative Measures

- 4.8 The Corporate Fraud Team have worked with several internal departments and external bodies to help assess their fraud risk and implement measures to deter fraudsters and prevent fraud and error entering the system. It is widely acknowledged that prevention is a far more cost-effective measure to reduce fraud and error than detection, however, is far more difficult to measure. A summary of preventative activity undertaken during the period is summarised in the table below.

| Partner | Summary of work |
|---|--|
| Right to Buy Teams - NCC, Karbon and Bernicia | Due diligence and Anti-Money Laundering checks on all NCC and Bernicia applications to ensure properties are only sold to those entitled. Karbon refer their more complex applications for further investigation. |
| Social Housing | Fraud awareness training with housing officer. Planning work commenced to begin using data matching technology to review the housing waiting list. Continue to chair and run the North East Tenancy Fraud Forum, bringing together local authorities and registered social landlords. Planning and preparation for Regional Tenancy Fraud Awareness week. |
| Insurance | Additional investigation into cases progressing to litigation or of high suspicion. |
| Planning and S106 Officers | Continued support and advice with affordable homes discount applications. |
| Business Grants | Ongoing support with post assurance and debt recovery action. |

| Partner | Summary of work |
|------------------------------------|---|
| Blue Badge Misuse | Took part in the National Day of Action, accompanying enforcement officers for the day to create awareness with the public and to target misuse. Followed by fraud awareness with enforcement officers at a team event and a new agreed process for dealing with misuse. In addition to the criminal sanction reported at Table 3 above, the new process has resulted in a further 4 written warnings which have been issued and recorded, alongside a Penalty Charge Notice (PCN). |
| Counter Fraud Risk Assessment | Work undertaken to identify and assess fraud risks across service areas within the County Council. This assessment identifies the risks specific to the County Council and evaluates measures already in place to mitigate the risks, to identify proactive priorities for Corporate Fraud resource. The Counter Fraud Risk Assessment is attached to this report as Appendix 1. |
| National Anti Fraud Network (NAFN) | The Corporate Fraud team receive national fraud alerts from NAFN which are shared with the relevant departments to raise awareness of threats and additional checks which may be required. CF also send reports to NAFN of Fraud attacks and attempted fraud attacks. |

Table 4: Preventative activity undertaken in partnership from 1 April – 30 September 2023

Single Person Discount (SPD) Project

- 4.9 A proactive 2-year project was launched in October 2022, with the aim of risk assessing and reviewing all households within Northumberland where SPD is applied to Council Tax liability. At the outset of the project approximately 36% of households (56,000) within Northumberland received Single Person Discount.
- 4.10 The project uses our data matching system, IDIS, and was led by an investigating officer supported by two fixed-term SPD officers. Following review of the matches, home visits are undertaken to households.
- 4.11 Reviews are performed by individual Parishes, so that the data is current. During this reporting period, work commenced on data extraction and matching for the following Parishes:
- Belsay
 - Capheaton & Bavington
 - Kirkwhelpington
 - Matfen
 - Ponteland
 - Prudhoe
 - Seaton Valley
 - Stamfordham
 - Stocksfield
 - Wallington Demesne
 - Whalton

- 4.12 The results from this project are included in the table at paragraph 4.5 and totalled £186,162.31 during the period 1 April 2023 – 30 September 2023.
- 4.13 In addition to financial results relating to SPD, visits undertaken as part of this project have also resulted in reports and referrals relating to:
- Housing Fraud – sublets / abandoned properties
 - Benefit Fraud
 - Highways – Street lighting, potholes, uneven paving
 - Debtor tracing
 - Safeguarding
 - Benefit uptake
 - Council Tax discounts / disregards

Regulation of Investigatory Powers Act 2000 (RIPA)

- 4.14 Since the last report to Audit Committee, there have been no applications for Directed Surveillance.

5. Options open to the Council and reasons for the recommendations

- 5.1 Not applicable.

6. Implications

| | |
|------------------------------------|--|
| Policy | None. |
| Finance and value for money | Investigations into suspected fraud, corruption and theft help identify financial losses incurred by the Council and assist in the process of seeking recovery of such sums. It also supports the governance framework. |
| Legal | The County Council has a legal responsibility under the Accounts and Audit Regulations 2015, to ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk. As part of discharging this responsibility, the County Council has a responsibility to embed effective standards for countering fraud, corruption and bribery into the organisation. This supports good governance and demonstrates effective financial stewardship and strong public financial management. Audit Committee's agreed Terms of Reference include responsibility for reviewing the assessment of fraud risks and potential harm to the Council from fraud and corruption, and to monitor the Council's counter-fraud strategy, actions and resources. |
| Procurement | None. |

| | |
|---|--|
| Human resources | None. |
| Property | None. |
| The Equalities Act: is a full impact assessment required and attached? | No - no equalities issues identified Equality Impact Assessment not required. |
| Risk assessment | Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Authority through fraud. |
| Crime and disorder | A programme of proactive counter fraud work reduces the potential opportunities for fraud and corruption within the Council's activities. |
| Customer considerations | None. |
| Carbon reduction | Hybrid working has reduced the team's carbon footprint. Consideration is also given to combine visits to the same area to reduce the frequency of travel to the same area. |
| Health and wellbeing | None. |
| Wards | (All Wards); |

7. Background papers

Not applicable.

8. Links to other key reports already published

Not applicable.

9. Author and Contact Details

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Internal Audit and Risk Management Service

Corporate Fraud Risk Assessment

March 2024

Contents

- 1 Background
- 2 Identification and Assessment of Risks
- 3 Risk analysis

1 Background

- 1.1 Northumberland County Council has committed to providing best value for money to its residents and businesses. As a local authority we must ensure that funds are spent in a way that best serves the people of Northumberland.
- 1.2 The Section 151 officer has a statutory responsibility to ensure the proper administration of the County Council's financial affairs and to ensure the Council's systems and actions do not give rise to illegal activity or maladministration. In administering our responsibilities, we have a duty to govern, acknowledge, prevent, pursue, and protect against fraud and corruption, both internally and externally.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a 'Code of Practice on Managing the Risk of Fraud and Corruption'. As part of the 'identify the fraud and corruption risks' principle of the code of practice, the guidance recommends that 'fraud risks are routinely considered as part of the organisation's risk management arrangements.'
- 1.4 The Local Government Association, supported by the Joint Fraud Taskforce issued the 'Fighting Fraud and Corruption Locally – A strategy for the 2020's' report in 2020. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities. The strategy details a number of nationally identified fraud risk areas and identifies key themes, for local authorities to use to ensure that their counter fraud response is comprehensive and effective. These are known as the six Cs:
 - Culture
 - Capability
 - Capacity
 - Competence
 - Communication
 - Collaboration
- 1.5 This Corporate Fraud Risk Assessment has been undertaken to better understand the identified fraud risks and assess the likelihood of fraud risk areas specific to Northumberland County Council, reflecting the existing processes and controls already in place. The assessment will then be used as a source of information in Internal Audit's planning and to help target our fraud response and management of work and resources, to create a work plan for our proactive counter-fraud work.
- 1.6 The Corporate Fraud Team consists of 5 FTE, which is currently supplemented with a fixed term resource supporting the Single Person Discount project. With limited resource it is important that we use this in the most efficient, cost-effective way, by targeting the areas within NCC that pose the biggest financial risk through fraud as well as considering areas that cause substantial risk of harm to our residents.

2 Identification and Assessment of risks

2.1 Using the 'Fighting Fraud and Corruption Locally' report, supplemented with information from a number of additional bodies (including CIPFA and Tenancy Fraud Forum), the following fraud risk areas have been identified nationally:

- Housing Tenancy fraud
- Procurement fraud
- Payroll fraud
- Council Tax fraud
- Blue Badge fraud
- Grant fraud
- Pension fraud
- Schools
- Social Care fraud
- Identity fraud
- Insurance fraud
- Insider Threat
- Cyber Crime / Scam
- Concessionary Fares fraud

2.2 An assessment of these identified risk areas has been undertaken, considering the risk of likelihood and the risk of impact within Northumberland County Council. Factors considered when undertaking the assessment include:

Likelihood of risk occurring

- How likely is it that, the intelligence is accurate and reliable, and, therefore, likely to be true?
- Does the fraud type represent a simple (and, therefore, easy to commit) offence, or a complex one, that would be difficult to commit without considerable planning and preparation?

Potential impact of risk occurring

- The financial impact - If the intelligence is true, what are the financial implications? It may be a continuing loss from regular payments or one of large sums, high cost in repairs and maintenance or simply clean up.
- The operational impact - How will Northumberland County Council be affected if the fraud is occurring?
- The effect to residents – How will our residents be effected if this fraud is occurring, what is the reputational damage of not pursuing this fraud type?

2.3 Utilising this methodology, fraud risk areas have been assessed in conjunction with relevant service areas across the County Council, to determine a risk level (red, amber, green). Risk levels have been determined in accordance with the following table.

| | | | | |
|------------------|--------|-------------|-------------|------------------------------|
| | High | Medium Risk | High Risk | High Risk |
| Potential Impact | Medium | Low Risk | Medium Risk | High Risk |
| | Low | Low Risk | Low Risk | Medium Risk |
| | | Low | Medium | High |
| | | | | Likelihood of Risk Occurring |

3 Risk Analysis

- 3.1 The outcomes of the fraud risk analysis undertaken is detailed in the table below and includes those measures already in place across the County Council to mitigate risk areas and suggested future activity.

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|---------------------------------------|---|---|--|
| Housing tenancy fraud (Red) | <p>Housing tenancy related fraud is a high risk area and includes risks relating to:</p> <ul style="list-style-type: none">- Right to Buy – fraudulent applications due to high discounts offered, loss of asset and rental income.- Fraudulent Housing applications- Fraudulent applications for 'succession' and 'assignment'. (Where an occupant assumes a tenancy of a deceased tenant, or of a tenant who is still in occupation but may, for example, plan to move into supported accommodation.) | <p>The Council has a number of measures and controls in place to guard against housing tenancy related frauds.</p> <p>The Corporate Fraud team undertake due diligence work in 100% of NCC RTB applications and also work in partnership with Bernicia and Karbon Homes.</p> <p>Homefinder applications are assessed and prioritised by the Homefinder team before being added to the register allowing applicants to bid for properties.</p> <p>Bid matching is undertaken, with proof of identification and circumstances confirmed.</p> <p>In person visit is undertaken by a Housing officer to the new home when tenancy agreed.</p> <p>Periodic verification with applicants, continued status on register reviewed.</p> <p>NCC currently have guidance and application form for succession and assignment however given this is widely acknowledged nationally as one of the highest fraud risk areas in social housing it is felt our current process could be improved by following best practice promoted by other local authorities.</p> | <p>Further work could be undertaken by the Corporate Fraud team, to undertake post-sale checks for details of any resale / transfer date. There is also the possibility to explore working with additional Registered Social Landlords (RSLs).</p> <p>Enhanced verification of current circumstances of applicants and a proactive review of the Homefinder housing waiting list.</p> <p>Build partnership working with RSLs to enhance fraud resource.</p> <p>Continue to run and build North-East Tenancy Fraud Forum and maintain active membership of the national Tenancy Fraud Forum.</p> <p>Implement new robust application for succession and assignment, with Corporate Fraud team undertaking verification of applications.</p> <p>For assignments - undertake additional property visits to ensure tenant is still resident.</p> |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|---------------------------------|--|---|--|
| U D O R E C T | <ul style="list-style-type: none"> - Sublet and Abandoned properties | <p>Reports and suspicions of abandonment and sublet are investigated by housing officers and discussed with the tenant and/or notices issued.</p> <p>Current NFI data matching undertaken includes matching of housing records against - HMRC Household composition, DWP deceased, state benefits</p> <p>Matching of Right to buy records against - housing tenants and benefits.</p> <p>Matching of housing waiting list against - housing tenants, housing benefit, waiting lists with other councils, DWP deceased data.</p> | <p>A new process is in the process of being implemented to involve the Corporate Fraud team in all reports and suspicions of sublet and abandonment, for joint approach wherever abandonment or sub-let is suspected.</p> <p>Proactive data matching may be undertaken by the Corporate Fraud team to identify potential addresses.</p> <p>Corporate Fraud team to make use of POSHFA (Prevention of Social Housing Fraud Act) authorised officer powers to investigate suspected cases.</p> |
| Council Tax fraud | <p>Council Tax fraud is common, with discounts falsely claimed. This includes:</p> <ul style="list-style-type: none"> - Empty & Exempt Properties - Class F (liable party deceased probate not granted) - Empty homes (although subject to full charge, this has a negative effect on housing needs & ASB) - Student – not in or left education - Carers – no longer a carer, person moved out - Severe Mental Impairment – moved out, no longer receiving qualifying benefit - Single Person Discount - Council tax Reduction (CTR) <p>Fraudulent claims may also be received in relation to Non-</p> | <p>A range of controls are in place to help ensure that only valid applications are received. These controls include the verification of applications and requiring appropriate evidence of qualifying criteria, with visits periodically taken to check, review and monitor the (ongoing) status of discounts / exemptions.</p> <p>In respect of SPD, the Corporate Fraud team launched a specific 2-year project in October 2022 to proactively review all households in receipt of SPD.</p> <p>Corporate Fraud team works jointly with SFIS (Single Fraud Investigation Service) and there is a close working relationship between internal teams. Staff are fraud aware and regularly send referrals of suspicion to the Corporate Fraud team. The Council has access to a number of data sources and suspicions of fraud are referred to the Corporate Fraud team and prioritised as urgent cases.</p> | <p>In addition to controls in place, some proactive data match exercises are proposed, to help ensure ongoing eligibility of exemptions / discounts, particularly in the case of all Class F liabilities and potentially a pilot exercise with CTR claims.</p> <p>The Internal Audit team include reviews of Council Tax, and Non-Domestic Rates as part of annual reviews of the Council's key financial systems. These reviews will continue to include arrangements in place for the detection / prevention of fraud / error.</p> <p>Reactive referrals will continue to be investigated, particularly those arising from internal referrals.</p> |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|------------------------------------|---|---|--|
| | Domestic Rates (business rates) relief. | Current NFI data matching includes matching of housing benefit and council tax records against - DWP deceased data, taxi driver data, student loans, housing benefit in other councils, HMRC property ownership / earnings / capital / household composition / pensions, Right to buy, housing tenants, state benefits. | |
| Insurance (Red) | False or inflated claims against NCC including slips and trips | <p>Our insurers, Zurich, manage our claims and have a fraud investigation process which they follow.</p> <p>NCC's Insurance team are fraud risk aware and utilise a number of methods to validate information included in claims received. Any claims litigated or identified as high-risk are referred to the Corporate Fraud team.</p> | <p>Help ensure that inspections continue to be undertaken by trained staff, with accurate and detailed records maintained, to ensure any issues are actioned quickly.</p> <p>Further awareness raising by the Corporate Fraud team, to ensure that the process for referrals is understood by all staff in the Insurance team and that this is regularly reviewed.</p> |
| Adult Social Care (Red) | <p>Fraud loss can occur through situations including:</p> <ul style="list-style-type: none"> - Overstatement of needs through false declaration, multiple claims across authorities. - Misuse of Direct Payments scheme, (e.g. assessed care package is not provided, with abuse by third party carer, family or organisation) - Bank Mandate fraud in respect of social care providers (fraudulent notification of a change in bank account details). | <p>All applications are assessed by a case worker, with a number of controls in place to help ensure that care needs are carefully assessed and any financial contribution is carefully calculated. Financial assessors have access to data systems to help confirm stated income and evidence is sought to confirm financial eligibility.</p> <p>All Direct Payments are subject to regular audit to ensure continued suitability. Any changes in circumstances are subsequently checked and claims monitored.</p> <p>Staff have attended Cybercrime training. A manager must approve any change in bank account requests and only following direct verified contact with the provider to verify change.</p> | <p>Internal Audit has reviews planned in higher risk areas, including Direct Payments.</p> <p>In addition to controls in place, the Corporate Fraud team plan to work with the service area to help enhance the financial assessment process. The Corporate Fraud team are also providing ongoing support in specific cases.</p> |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|---|---|---|---|
| Cyber-crime / scams (Red) | <p>Nationally recognised as the largest evolving threat across all organisations, cyber-crime is an evolving risk.</p> <p>Local authorities are often targeted and cyber crime can include:</p> <ul style="list-style-type: none"> - Ransomware - Hacking - Phishing - Malware - Bank Mandate fraud - Falsification of invoices - Spoofing - Denial of service attacks. | <p>A number of measures are in place to help guard against this risk.</p> <p>This area has been raised as a corporate level risk and has a number of identified controls. These controls are subject to regular review by external bodies and through Internal Audit's annual coverage of Information Technology arrangements.</p> <p>In the case of specific aspects of this risk, controls are in place to help ensure that only valid invoices are approved for payment and staff attended cybercrime training during 2023.</p> <p>A corporate training / awareness programme for staff is also ongoing.</p> | <p>Controls will be continuously reviewed and improved as necessary.</p> <p>Any fraud alerts received by the Corporate Fraud team are brought to the attention of relevant staff.</p> <p>The Corporate Fraud team will be undertaking a fraud awareness campaign during 2024/25 and the risks of cyber security will be incorporated, to help ensure the prevention and continued reporting of any attacks,</p> |
| Grant fraud (Amber) | <p>Risks in respect of grant funding awarded by the Council can include instances where:</p> <ul style="list-style-type: none"> - agreed work is not carried out - funds are diverted - ineligibility not declared - fraudulent applications | <p>Agreed criteria and controls for ensuring eligibility are in place for grant funding schemes.</p> <p>Controls are subject to periodic review by Internal Audit.</p> | <p>Continued Internal Audit review and input into arrangements for new grant funding schemes.</p> <p>A comprehensive register of all grant funding schemes across the Council to be developed.</p> |
| Blue Badge Scheme misuse (Amber) | <p>Blue Badge fraud can include instances of counterfeit / forged / altered badges, and / or use of a blue badge by a non blue badge holder (e.g. friend / family member, or sold / stolen badges.)</p> | <p>Measures are in place to control the issue of Blue Badges to applicants.</p> <p>Civil Enforcement Officers (CEOs) collate evidence of any suspected Blue Badge fraud and send to the Corporate Fraud team for investigation, with Blue Badges seized where possible.</p> <p>Current NFI data matching includes matching our blue badge records.</p> | <p>Criminal sanctions will be considered for misuse where no Penalty Charge Notice issued.</p> <p>Corporate Fraud warning issued and monitoring of Blue Badge misuse in addition to PCN (Penalty Charge Notices).</p> <p>The Corporate Fraud team will undertake days of action in conjunction with Civil Enforcement Officers in order to help raise awareness and deter misuse.</p> |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|---|--|---|--|
| Bus Pass / Concessionary Fares (Amber) | Similarly to the risk of Blue Badge fraud, this can include instances of counterfeit / forged / altered passes, and / or misuse of a pass by a third party. | New payment systems on buses means that drivers no longer need to see or check the bus pass. Passengers can scan the pass with the driver performing a check of the pass and photograph. Current NFI data matching includes matching our concessionary fares records. | Corporate Fraud to develop a proforma to capture all relevant information needed to investigate any seized passes. Fraud awareness programme being developed by the Corporate Fraud team will also include advice and reporting methods for any suspicions of misuse to be reported to the Corporate Fraud team. |
| Schools (Amber) | There are a number of risks associated with our schools. Risks are exacerbated by the fact that schools are satellite establishments and the geographical scale of Northumberland. | In addition to controls in place to manage schools-related risks, and external inspection regimes, the Internal Audit team undertakes work with schools on an annual basis. The Schools' Financial Value Standard (SFVS) is a mandatory process for Governing Bodies to demonstrate that secure financial management and governance processes are in place. Internal Audit co-ordinate this process and receive and review all SFVS submissions. SFVS submissions are used as a source of information when Internal Audit plans and undertakes school thematic reviews as part of each year's Internal Audit Plan. During 2023, Internal Audit and the Corporate Fraud team have worked with central services and schools, to develop and improve systems and processes relating to various aspects of the control framework for our schools. | Work will continue as needed with Corporate Fraud and Internal Audit working with central services and schools to continuously improve systems and processes. Schools will be made aware of and reminded of a free Schools Fraud Health Check, to use it for information and as a self-assessment to identify their risks, strengths, and weakness regarding fraud. The Corporate Fraud team will also be developing fraud awareness training for school governors, head teachers and business managers. The Corporate Fraud team will share national fraud alerts with all schools via the ECourier service and will continue to support annual school allocations and investigate any reports of potentially fraudulent applications. |
| Procurement fraud (Amber) | This is the largest area of spending within local authorities and can be difficult to detect. | The Council has in place robust Contract Procedure Rules to control processes relating to procurement and mitigate risk. The Council's Procurement service work closely with commissioning departments to provide | Signpost and recommend the Competition and Markets Authority (CMA) free webinars to all staff involved in procurement, tenders and contracts. |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|------------------------------------|---|---|---|
| P Procurement Fraud (Amber) | Risks of procurement fraud can include: <ul style="list-style-type: none">- flawed tendering issues- double invoicing- conflicts of interest- collusion- cartels / bid rigging- counterfeit products- non delivery of contract | guidance to help ensure procurement activity is undertaken correctly and in accordance with guidance and the law. Aspects of procurement are subject to annual review by Internal Audit, and investigations are undertaken in conjunction with the Corporate Fraud team where there are suspicions of fraud / error. As part of the Council's BEST programme, the 'Best in Commissioning' workstream board has representation from the Corporate Fraud team. Current NFI data matching includes matching of our procurement records. | Contracting arrangements in place relating to non-collusion and non-canvassing will be reviewed to ensure best practice, in respect of bid rigging / cartel activity. |
| P Payroll Fraud (Amber) | Risks relating to payroll will primarily relate to payments not being made to the correct person, being the incorrect amount or being made at the incorrect time. This may include: <ul style="list-style-type: none">- false employees- duplicate employment- overstated payments (e.g. expenses / overtime)- bank mandate fraud- payments continuing to leavers | Various controls are in place to manage payroll-related risks. These controls are subject to annual review by Internal Audit. Payroll staff attended cybercrime training during 2023 and specific procedures are in place in respect of the changing of bank account details of employees. Work has been undertaken during 2023/24 to improve controls and processes relating to authorisation of overtime / expense claims. Current NFI data matching includes matching our payroll records against payroll in other organisations for duplicate employment and to creditors. | An improved system to help ensure a consistent approach to staff declaration of interest is in the process of being implemented, with support from Internal Audit and Corporate Fraud. Training will be developed for all staff and managers to explain their responsibility to check pay / budget information is correct, to query unexpected payments/values and notify any overpayments immediately (with the consequences of not doing so). Consideration will also be given to incorporate this into the staff and manager induction courses |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|-----------------------------------|--|---|---|
| Insider Threat (Amber) | <p>The risk of fraud committed by employees is faced by the Council, like any organisation. Whilst the likelihood is not frequent the Council is aware of the cost-of-living crisis and the potential impact on employees.</p> <p>Potential frauds relating to employees may include:</p> <ul style="list-style-type: none"> - abuse of flexi time - abuse of sickness absence - theft - corruption - misuse of assets / equipment - overstating expenses / overtime claims - abuse of position by agency staff | <p>The Council has a number of policies in place to mitigate this risk. The Human Resources service provide guidance and policies surrounding all aspects of employment, supporting management across the Council. Financial advice and support is also available for all staff.</p> <p>The Council's Anti Fraud, Bribery and Corruption Policy has been refreshed during 2023/24 and there are a number of reporting channels available for staff to report concerns, with reminders issued to staff.</p> <p>Aspects of insider threat risks are subject to annual review by Internal Audit, and investigations are undertaken in conjunction with the Corporate Fraud team where there are suspicions of fraud / error.</p> <p>Current NFI data matching includes matching our employment records. Agency staff are only used as a last resort of for short term cover.</p> | <p>Fraud awareness training to be developed and incorporated in staff induction and rolled out across all NCC staff as part of the programme of required learning.</p> <p>Consideration is being given as to if / how additional controls / monitoring may be implemented in some of the Council's systems.</p> <p>Any referrals which allege, fraud, bribery or corruption, are investigated by the Corporate Fraud team and Internal Audit.</p> |
| Identity (Green) | <p>As an employer, the Council faces a risk relating to recruitment. Applicants may give misleading or false information in an attempt to obtain employment for which they are not suitably qualified. Applications may also be received from individuals who do not have the right to work in the UK.</p> <p>This may include bogus identification documents, fake</p> | <p>Controls are in place across the Council to mitigate this fraud risk area. There are recruitment processes in place, including checks with the Disclosure and Barring Service (DBS) where necessary, including enhanced DBS checks for relevant posts / staff.</p> <p>Procedures are in place and understood for the verification of applications and qualifications and the following of guidelines for verifying applicants' right to work in the UK.</p> | <p>The Corporate Fraud team will be developing a fraud awareness programme, and this will include advice on ensuring best practice in identity checking.</p> <p>The costs and potential benefit of subscribing to a national fraud database will be evaluated.</p> |

| Fraud Type & RAG rating | Description of Risk | Existing Measures / Controls | Suggested Activity |
|------------------------------|---|--|--|
| | <p>qualifications and / or employment history.</p> <p>The risk of identity fraud is also a risk in relation to a number of services provided by the Council with a financial benefit to be gained by impersonating another person. This may include housing, benefits, grants, procurement, and pensions.</p> | <p>A revised recruitment system has recently been implemented within the Council. This was reviewed by Internal Audit prior to implementation, and this area is subject to regular review as part of Internal Audit's plan of work.</p> <p>In respect of wider services, as detailed within this risk assessment, services have controls in place to verify and prove identification.</p> | |
| Pension fraud (Green) | <p>Pension related fraud includes instances where recipients of pension payments fail to provide notification of changes in circumstances, or where notifications of deceased pensioners are not provided.</p> <p>Pensions are administered by South Tyneside Council on the Council's behalf.</p> | <p>Controls in place to mitigate risks are controlled by South Tyneside Council.</p> <p>Data matching undertaken as part of National Fraud Initiative includes the matching of pension recipient data.</p> <p>Should a pension payment not be able to be processed, due to an account being suspended or closed, the payment is returned, and future payments are suspended pending confirmation of ongoing entitlement.</p> | <p>The possibility of, and expected benefits of, further data matching to be explored.</p> <p>The Corporate Fraud team are also currently considering how they may be able to support the Payroll Team with some specific, recommended third-party and independent checks.</p> |

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Audit Committee

Wednesday, 27 March 2024

Statement of Accounts – Group Boundary Review

Report of Councillor(s) Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director for Transformation & Resources (S151)

1. Link to Key Priorities of the Corporate Plan

This report relates to the statutory requirement to produce an annual Statement of Accounts and can be linked to the Value for Money priority.

2. Purpose of report

The purpose of this report is to provide members of the Audit Committee with details of the boundary review which has been undertaken to determine those organisations which should have their financial statements consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2024. Particular consideration is given to the position of Active Northumberland.

3. Recommendations

3.1 It is recommended that the Audit Committee:

- 3.1.1 Note the contents of the report;
- 3.1.2 Note that the financial statements of Advance Northumberland Limited will continue to be consolidated with the Council's Statement of Accounts for the financial year ended 31 March 2024;
- 3.1.3 Note that Northumberland Enterprise Holdings Limited's will be named as an "entity controlled or significantly influenced by the Council", but that the interest is not financially material, and the company did not actively trade during 2023-24;
- 3.1.4 Note that the Council's share of Energy Central Campus Limited is likely to be included in the Council's Statement of Accounts as a joint arrangement once it becomes material, but the value of the company is likely to be minimal at 31 March

2024 so inclusion within the Council's 2023-24 Statement of Accounts is unlikely to be required; and

- 3.1.5 Agree that Active Northumberland's financial statements **should not** be consolidated into the Council's Statement of Accounts for the financial year ended 31 March 2024.

4. Forward plan date and reason for urgency if applicable

The report is for consideration by Audit Committee and does not require a key decision.

5. Background

- 5.1 The Council has undertaken an assessment (Boundary Review) in advance of producing its 2023-24 Statement of Accounts to ascertain if there are any relationships which fall under the definition of the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 ("the Code") and should therefore be consolidated into the group position. The outcome of the review is detailed within the report.
- 5.2 Paragraph 9.1.1.7 of the Code sets out a requirement to prepare group accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality.
- 5.3 The Code does not make any specific comments on the consolidation of charitable organisations in local authority financial statements; therefore, local authorities are required to follow the requirements of IFRS 10 and, where material, consolidate any charitable trust where an authority meets the criteria for control.
- 5.4 There has been no material change to the relationships between the Council and the companies considered in the report in 2023-24 and the recommendations in relation to consolidation are the same as in 2022-23.

6. Options open to the Council and reasons for the recommendations

6.1 Advance Northumberland Group of Companies

- 6.1.1 Advance Northumberland Limited is a wholly owned company of the Council. The company was established on 13 November 2018 when all of the assets, liabilities and shares of the now dissolved Arch Group were transferred to it. The Company acts as the holding company for the Advance Northumberland Group and it conducts no business in its own right; its operational subsidiaries are as follows:

- Wholly owned:
 - Advance Northumberland (Commercial) Ltd
 - Advance Northumberland (Housing) Ltd
 - Advance Northumberland (Developments) Ltd
 - Advance Northumberland (Projects) Ltd*
- Joint venture:

➤ Prudhoe Estates LLP

* Advance Northumberland (Projects) Ltd changed name from Advance Northumberland (Financials) Ltd on 07 August 2023.

- 6.1.2 The Council has a material financial interest and a significant level of control over Advance Northumberland Limited and it is named in the Council's Statement of Accounts as an "entity controlled or significantly influenced by the Council".
- 6.1.3 Since its inception, the financial statements of Advance Northumberland Limited (which incorporate the financials for the overall group of companies) have been consolidated with the Council's Statement of Accounts and they will continue to be consolidated for the financial year 2023-24.

6.2 **Northumberland Enterprise Holdings Limited Group of Companies**

- 6.2.1 Northumberland Enterprise Holdings Limited (NEHL) was incorporated on 17 September 2020 and is a wholly owned company of the Council. Previously NEHL also owned a subsidiary company, Northumbria Integrated Consultancy Limited (NIC), which Cabinet agreed to dissolve on 17 November 2022.
- 6.2.2 NIC did not trade within 2023-24, and on 10 October 2023 was dissolved at Companies House.
- 6.2.3 The Council has a significant level of control over NEHL and the company will be named in the Council's Statement of Accounts as an "entity controlled or significantly influenced by the Council", noting however that the interest is not financially material and NEHL did not actively trade during 2023-24.

6.3 **Active Northumberland**

- 6.3.1 The following factors should be considered when determining whether Active Northumberland should be consolidated with the Council's accounts. Active Northumberland is not a wholly owned or partially owned subsidiary of the Council.
- 6.3.2 The purpose and design of the charitable trust:
- Active Northumberland is registered at Companies House (08484436) as a Private Limited Company by guarantee without share capital use of 'Limited' exemption.
 - Active Northumberland is registered with the Charity Commission (1153198).
 - Active Northumberland's Memorandum and Articles of Association were amended on 17 April 2019 to change the membership of the charity to individual members only. There are no Board appointments from Northumberland County Council. The number of Trustees shall not be less than three and, unless otherwise agreed by the Trustees, shall not be subject to any maximum. There are currently 7 Trustees on the Board (see Appendix A for details).
 - Consideration needs to be given to the following:
 - Whether or not the Council has voting rights on the Board of Trustees; and
 - whether or not the Council is able to exercise the majority of voting power over the Trust.

- There have been no representatives from Northumberland County Council on the Board during 2023-24 and it can therefore be concluded that no direct influence has been exerted by the Council.
- The Council is not involved with the recruitment of Active Northumberland Board members. The Memorandum and Articles of Association allow the Active Northumberland Board the ability to appoint and remove Board members.
- All Active Northumberland Board members are required to adhere to the Code of Conduct and submit declarations of interest. A Trustee must declare the nature and extent of any interest, direct or indirect, which they have in a proposed transaction or arrangement with the Charity which has not previously been declared. A Trustee must absent themselves from any discussions of the Trustees in which it is possible that a conflict will arise between their duty to act solely in the interests of the Charity and any personal interest. The Trustee does not vote on any such matter. This can be evidenced in the Board minutes.

6.3.2 What the relevant activities of the charitable trust are and how decisions about those activities are made:

- From 1 April 2018 Active Northumberland was commissioned by Northumberland County Council to provide Leisure Services. Whilst the Council determines what activities it requires Active Northumberland to deliver on its behalf, the Council is not involved operationally with how those services are delivered and this is a matter for the Active Northumberland Board.

6.3.1 IFRS 10 states that an investor (the Council) controls an investee (Active Northumberland) if and only if the investor has all the elements in 6.3.5, 6.3.6 and 6.3.7 below.

6.3.2 Whether the rights of the authority give it the ability to direct the relevant activities of the charitable trust. Such rights can be straightforward (e.g. through voting rights) or be complex (e.g. embedded in contractual arrangements). A holder of protective rights cannot have power over an investee and so cannot control the investee.

- As described in point 6.3.2 operational decisions are taken by the Active Northumberland Board and not the Council. This can be evidenced in the Active Northumberland Board minutes and via the Partnership Agreement.
- The Partnership Agreement between the Council and Active Northumberland does not contain protective rights.

6.3.1 Whether the authority is exposed, or has rights, to variable returns from its involvement with the charitable trust. Such returns must have the potential to vary as a result of Active Northumberland's performance and can be positive, negative, or both:

- No positive returns are made from Active Northumberland to the Council. All balances are retained by Active Northumberland, and it is the decision of the Active Northumberland Board how those reserves are used. In the event that the charity dissolves then the Board will decide what it does with the funds.

- The Council has provided significant additional funding to Active Northumberland in recent years to assist with Covid-19 recovery and in recognition of significant inflationary pressures. This could be assessed as a negative return under IFRS 10, although this has been due to exceptional circumstances (force majeure) and managed through a contract variation to the Partnership Agreement.
- A letter of comfort has been provided to Active Northumberland for 2023-24 setting out the Council's intention to provide further support in recognition of significant inflationary pressures.

6.3.1 Whether the authority has the ability to use its power over the charitable trust to affect the amount of the returns to the Council:

- No returns are made from Active Northumberland to the Council. The Council sets the scope in terms of the services that it would like Active Northumberland to provide. However, the Council does not exercise control or power over how Active Northumberland delivers these services. The Board of Active Northumberland determines the delivery plan.
- Active Northumberland serves only a single customer, the Council, which implies it is highly dependent upon the Council's actions, funding and wider support.
- Analysis suggests that Active Northumberland would struggle to leverage alternative funding arrangements, such as bank loans, as they have limited long-term assets. This increases the dependence upon the Council.

6.3.1 Other factors:

- The budget for Active Northumberland is funded predominantly by service income, as well as a management fee from the Council. The proportion of budgeted income which was service income in 2023-24 was 89% and the management fee was 11%.
- There is a Leisure Partnership Agreement for 2023-24 which formally documents the commissioner/provider contractual relationship between the Council and Active Northumberland for the provision of Leisure Services.
- There are quarterly review meetings between Active Northumberland and Northumberland County Council. The meetings are attended by the Council's client officer, Contracts Officer and representatives from Active Northumberland. Prior to each quarterly review meeting Active Northumberland is required to provide quarterly key performance indicators (KPIs) and a written report on progress and achievements against the Annual Plan. Quarterly KPI results are shared with the Council's Performance Team via the Corporate Performance system and reported to the Executive Team and Cabinet accordingly.
- A number of Service Level Agreements (SLAs) between Active Northumberland and the Council were agreed and effective from 1 April 2018. Active Northumberland purchases some of its support services from the Council. The SLAs continued throughout 2023-24.

- The Active Northumberland Board has a Finance and Audit Committee which meets bi-monthly. The purpose of the Committee is to assist the Board in its responsibilities by reviewing:
 - financial planning and information;
 - strategic financial plans, the annual operating and capital budgets and quarterly forecasts;
 - performance against plans and their key targets;
 - appropriateness of accounting and financial policies;
 - appropriateness and method of disclosure of information relating to Active Northumberland;
 - investment appraisal and post investment performance;
 - funding requirements and terms, including monitoring bank covenants;
 - financial liabilities;
 - monitor, review and report to the Board on the effectiveness of Active Northumberland's risk management processes and financial and other internal control systems;
 - overseeing Active Northumberland's relationship with its external auditors; and
 - Health and safety.
- Performance information is provided to the Active Northumberland Finance and Audit Committee and Board on a regular basis.
- Active Northumberland has established and implemented its own business plan and strategy.
- The Board agreed to introduce its own internal audit provision. The contract was awarded to TIAA. A representative from TIAA attends Active Northumberland's Finance and Audit Committee.
- The 2023-24 budget was agreed by the Board at its meeting on 26 April 2023. A monthly report is produced to ensure that the Executive Team, Finance and Audit Committee and Board are informed of the financial position against the budget for 2023-24.
- The Council is in discussion with Active Northumberland regarding the level of assistance required to balance the budget for 2023-24. The provisional figure required at December 2023 is £2.000 million, which has been reported in both parties' monthly financial reports.

6.4 Energy Central Campus Limited

- 6.4.1 This company is a transformational, business-led skills, education and innovation project supporting growth in the low carbon energy sector in Blyth and the wider North East. It was incorporated on 2 November 2021. It is a company limited by guarantee and has three joint owners:

- Port of Blyth;
- Northumberland County Council; and
- ORE Catapult.

- 6.4.1 Given the nature of the equal three-way ownership, the Council does not have overall control over the company but has joint control with the other parties. As such, it is likely that the company will need to be incorporated into the Council's Statement of Accounts as a joint arrangement should the interest become material.
- 6.4.2 It should also be noted that the value of the company is likely to be minimal as at 31 March 2024 so inclusion within the Council's 2023-24 Statement of Accounts is unlikely to be required.

6.5 Conclusions

- 6.5.1 The financial statements of the following entities should be consolidated into Council's Statement of Accounts for the financial year ended 31 March 2024:
- Advance Northumberland Limited
 - Northumberland Enterprise Holdings Limited
- 6.5.2 It is anticipated that Energy Central Campus Limited will be included in the Council's Statement of Accounts at the point where its value becomes material, subject to ongoing discussions.
- 6.5.3 The Council does not legally own Active Northumberland, nor does it have direct control via members on the Active Northumberland Board. It is a third-party legal entity with a contractor relationship with the Council. Although Active Northumberland is highly dependent upon the Council and has received significant financial support to mitigate the impact of Covid-19 and exceptional inflationary pressures, the Council is not contractually exposed to variable results from its involvement with Active Northumberland, nor does it have the ability affect the level of returns. Any support outside of the Partnership Agreement must be separately approved and agreed by both parties. It is concluded that Active Northumberland does not fall within the scope of group accounts as per the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 and IFRS 10 and should therefore continue to be out of scope of Northumberland County Council's consolidated Statement of Accounts for the financial year ended 31 March 2024.

7. Implications

| | |
|------------------------------------|--|
| Policy | The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 |
| Finance and value for money | This report has no financial implication for the Council |
| Legal | There are no specific legal implications within this report |

| | |
|---|---|
| Procurement | There are no specific procurement implications within this report |
| Human resources | There are no specific human resources implications within this report |
| Property | There are no specific property implications within this report |
| The Equalities Act: is a full impact assessment required and attached? | No - no equalities issues identified There are no specific equalities implication in this report |
| Risk assessment | No specific risks have been identified within this report |
| Crime and disorder | There are no specific crime and disorder implications within this report |
| Customer considerations | There are no specific customer considerations within this report |
| Carbon reduction | There are no specific carbon reduction implications within this report |
| Health and wellbeing | There are no specific health and wellbeing implications within this report |
| Wards | (All Wards); |

8. Background papers

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2023/24

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 guidance notes for practitioners

CIPFA's Accounting for Collaboration in Local Government

9. Links to other key reports already published

Not applicable

10. Author and Contact Details

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Email: Kris.Harvey@northumberland.gov.uk

Appendix A

Current Board Membership of Active Northumberland (March 2024)

| Trustee | Role | Appointment Date |
|------------------|-------------|-------------------------|
| David Hall | Chair | 19 October 2015 |
| Jane Riley | Vice Chair | 21 September 2018 |
| Karla Sweeney | Secretary | 1 April 2021 |
| Malcolm Copland | Director | 21 September 2018 |
| Stephen Crosland | Director | 21 September 2018 |
| David Carss | Director | 15 October 2021 |
| Jamie Chapman | Director | 15 October 2021 |

In year changes April 2023 to March 2024

| Trustee | Role | Appointment Date | Resignation Date |
|----------------|-------------|-------------------------|-------------------------|
| Brian Welsh | Director | 15 October 2021 | 8 December 2023 |
| Helen Wilcox | Director | 15 October 2021 | 11 October 2023 |
| Emma Williams | Director | 19 October 2021 | 14 November 2023 |

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Audit Committee

Wednesday, 27 March 2024

Draft Annual Governance Statement

Report of Councillor(s) Cllr Glen Sanderson, Leader of Council

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation (S151)

1. Link to Key Priorities of the Corporate Plan

Effective governance arrangements are critical to the delivery of all three priorities in the Council's Corporate Plan.

2. Purpose of report

The purpose of this report is to enable the Audit Committee to review the draft Annual Governance Statement for 2023-24 and consider whether it properly reflects the risk environment and supporting assurances.

3. Recommendations

3.1 It is recommended that Audit Committee:

- (i) Approve the draft Annual Governance Statement (shown in Appendix A); and
- (ii) Agree to the draft Annual Governance Review being published on the Council's website alongside the draft statement of accounts and reviewed by the Council's external auditors as part of the 23-24 Audit.

4. Forward plan date and reason for urgency if applicable

Not applicable.

5. Background

- 5.1 Under the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control, which:
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and,
 - Includes effective arrangements for the management of risk.
- 5.2 The 2015 Regulations also require that the Council reviews (at least annually) the effectiveness of those systems of internal control, to ensure that governance arrangements are up-to-date and relevant.
- 5.3 The outcome of that review must be considered by a committee of the Council and published in the Draft Annual Governance Statement (AGS), alongside the Draft Statement of Accounts.
- 5.4 The Audit Committee has responsibility for reviewing the Council's corporate governance arrangements against the good governance framework and for considering annual governance reports and assurances.
- 5.5 Local authorities are required to prepare an annual governance statement (AGS) to publicly report on the extent to which they comply with their own code of governance. This includes how they have monitored and evaluated, the effectiveness of their governance arrangements in the year, and on any planned changes in the coming year. In essence, the AGS is an accountability statement from the Council to its stakeholders on how well it has delivered on governance over the course of the previous year.
- 5.6 The AGS should provide a meaningful but brief communication regarding the review of governance that has taken place. It should be high level, strategic and written in an open and readable style. The AGS does not need to describe in detail the key elements of an authority's governance arrangements if they are already easily accessible by the public, such as through the authority's code of governance. The AGS should be signed by the Chief Executive and Leader of the Council and approved by a resolution of a committee or Full Council. In Northumberland, approval of the AGS has been delegated to the Council's Audit Committee.
- 5.7 The draft AGS is set out at Appendix A.

6. Options open to the Council and reasons for the recommendations

- 6.1 Councils are required, by audit regulations, to review and refresh its annual Governance Statement.

7. Implications

| | |
|---------------|--|
| Policy | Effective corporate governance supports the delivery of all three Council priorities, as outlined in the Corporate Plan. |
|---------------|--|

| | |
|---|---|
| Finance and value for money | There are no direct financial implications associated with this report. However, financial planning and management are key components of effective corporate governance. |
| Legal | The governance review process and publication of an Annual Governance Statement ensures the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015. The Local Code of Corporate Governance enables the Council to demonstrate how it complies with the CIPFA / SoLACE 'Delivering Good Governance in Local Government Framework (2016)'. |
| Procurement | None |
| Human resources | None |
| Property | None |
| The Equalities Act: is a full impact assessment required and attached? | None None |
| Risk assessment | There are no direct risks associated with this report, but the assessment of corporate risk is a key component of the Council's governance arrangements. |
| Crime and disorder | None |
| Customer considerations | None |
| Carbon reduction | None |
| Health and wellbeing | None |
| Wards | (All Wards); |

8. Background papers

Not applicable

9. Links to other key reports already published

Not applicable

10. Author and Contact Details

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Northumberland
County Council

Annual Governance Statement 2023-24 (draft Subject to Audit)

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Leader's introduction

Leader's Introduction



I am pleased to introduce our Annual Governance Statement for 2023/24. This is indeed a good time to set out our approach to governance because in recent years, the organisation has faced up to some challenges and we have responded positively to those issues and we are in a much better, dare I say happier place.

With our new Corporate Plan, agreed by Full Council in May 2023, we are clearer than we have ever been on our vision and priorities. Our services are focused on delivering our priorities for and with residents, businesses and partners and our refreshed approach to performance reporting reflects this.

In the past year, we have embedded a new, permanent Senior Officer Team, including Chief Executive and Executive Directors. We have also completed the restructure and appointment of the senior managers at tiers 3-4. This gives us the Officer leadership capacity and stability to drive forward with delivering our vision and priorities.

We have significantly strengthened how governance issues are managed and led in the organisation. This has fostered a culture of

2023-24 Annual Governance Statement (Draft)

positive and productive working relationships between Members and Officers. We can 'feel' the culture of working Member to Member and Member to Officer has improved. Our re-written Constitution brings greater clarity and regularisation to our decision-making and Council proceedings. We are confident we now have a Constitution which is fit-for-purpose and can underpin delivery of our vision and priorities.

We continue to strengthen our Scrutiny arrangements and I'm pleased with the first full year of 'Policy Conferences' which has fostered wider Member involvement in Council policy-development. The establishment of our 'BEST ways for working' will further strengthen and refine the Council's continuous improvement.

Whilst strengthening organisational leadership and governance, we have also 'looked out'. We have established a countywide partnership committed to developing a shared 'County Mission' focused on reducing inequalities.

The financial outlook for our Council and indeed all local authorities continues to be very challenging. National finances are uncertain due to global events which have resulted in spikes in energy costs, significant inflation, higher interest rates, volatile financial markets and cost of-living pressures. Despite the challenging context, we have outlined proposals which will deliver a balanced budget for 2024-25.

These proposals will sustain good-quality, day-to-day services whilst continuing to invest in new or refurbished schools, leisure centres, regeneration and infrastructure. We have secured record levels of investment from Government for infrastructure and growth, and we are getting on with delivery.

Having this framework of effective corporate governance is essential in ensuring the Council can continue to improve, whilst delivering good-quality services to residents.

Page 3

Leader's Introduction

I wish to thank all staff and Members for their continued, excellent contribution to this work and I hope you find this year's Annual Governance Statement useful and informative.

Councillor Glen Sanderson
Leader of Northumberland County Council

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What is this document?

What is the Annual Governance Statement?

The Annual Governance Statement (AGS) describes the extent to which the Council has, for the year ended 31 March 2024, complied with its Local Code of Corporate Governance and the requirements of the Accounts and Audit Regulations 2015.

It describes how the effectiveness of the Council's governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2024-25 period.

This has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (CIPFA).

This document outlines four key things:

1. Our approach to preparing the AGS;
2. A summary of significant governance events during the 2022/23 financial year;
3. The key aspects of our Governance Framework; and,
4. A progress update on our AGS action plan for 2023/24 and proposed strategic governance actions for 2024/25.

What is Corporate Governance?

Good Governance in the public sector means: 'achieving intended outcomes while acting in the public interest at all times'.

Corporate Governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values.

The Council's Corporate Governance arrangements aim to ensure that it:

- Operates in a lawful, open, inclusive and honest manner;
- Safeguards public money and assets from inappropriate use, loss or fraud, and ensures that they are properly accounted for and uses its resources economically, efficiently and effectively;
- Has effective arrangements for risk management;
- Secures continuous improvements in the way it operates;
- Properly maintains records and information; and,
- Ensures that its values and ethical standards are met.

Why is Governance Important?

All our residents and service users, together with our suppliers and partners, must be able to have confidence in our governance arrangements; that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

Our approach to the Annual Governance Statement

How this Statement is prepared

In preparing the Annual Governance Statement (AGS) the Council has:

- Reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Governments framework – 2016 Edition' good practice guidance;
- Ensured the Council's Local Code of Corporate Governance reflects this guidance which includes the seven principles of good governance and the actions and behaviours taken by the Council that demonstrate good governance;
- Assessed the effectiveness of the Council's governance arrangements against the Local Code of Corporate Governance, and,
- Considered whether there are any 'post-2023/2024 events'. These are set out in the relevant sections of the AGS as well as at the end of the document in the section entitled 'Post 2023/24 Events'

The annual assessment of the effectiveness of the processes contained within the Local Code of Corporate Governance includes assessments such as:

- Service level review of Governance arrangements;
- Review of the Corporate risk Register;
- Review of the Constitution;
- Review of the opinion of the Head of Internal Audit;
- Review of external Audit Annual ISA 260 Report;

- Review of reports from External Inspectorates;
- Review of the 2021-22 Improvement Plan;
- Review of Governance arrangements of subsidiary companies.

The Council's Governance responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards, and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges its duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements. This also applies to the Council's wholly owned subsidiary, Advance Northumberland, an arm's length company which is the Council's primary regeneration delivery vehicle.

The Council's Local Code of Corporate Governance, produced in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance of good corporate governance and sets out its commitment to the principles involved.

The Code is available on our website:
www.northumberland.gov.uk

Northumberland County Council Governance Code
Principles of Corporate Governance

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risk and performance through robust internal control and strong public financial management;
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Significant governance events 2023/24

Introduction

We highlight here, six significant governance events for the past financial year.

(i) Completion of the Challenge Board's work

In June 2023, Full Council received a third and final update report from the Challenge Board and a report from the Leader of Council outlining progress against the Council's improvement actions. At that meeting, Full Council agreed the following:

- (i) Note and receive the Challenge Board report.
- (ii) Receive and note the Challenge Board Recommendations.
- (iii) Approve the Council's responses to each of the Recommendations.
- (iv) Agree the work of the Challenge Board is now complete and that their work with the Council will conclude.
- (v) Thank the Chair and all Challenge Board members for their support, advice and guidance during the past year.

The activities to improve and strengthen the governance have continued following conclusion of the Challenge Board's work and are embedded in ongoing programmes and workstreams, including BEST.

(ii) Appointment of a new, permanent Monitoring Officer

We appointed a new Director of Law and Corporate Governance, an experienced Monitoring Officer (MO) in the sector. Already, our MO has helped establish a culture of positive and productive working relationships between

Members and Officers. Group Leaders have noticed and commented on progress. So too have other Members. Initially our MO came to the Council on a two-year contract. Six months into his tenure, Full Council made this a permanent appointment.

(iii) Divisional boundary review

The Council currently consists of 67 Elected Members. During 2022-23, Northumberland was subject to a review of its Divisional boundaries by the Local Government Boundary Commission for England. This review concluded in 2023/24 and when implemented will see the number of Members rise to 69 at the next local election scheduled for May 2025.

(iv) New reports

We have introduced new reports to be clearer on what Cabinet Members are delivering through their portfolios. These include an Annual Achievements Report to Full Council as well as Annual Portfolio Reports. These aim to enhance scrutiny, debate and accountability.

(v) Corporate Peer Review

Corporate Peer Review (also known as Corporate Peer Challenge) is a peer-led method of improvement, led by the Local Government Association. It provides councils with a robust and effective improvement and assurance tool. It is owned and delivered by the sector, for the sector. Peers remain at the heart of the peer review process and provide a 'practitioner perspective' and 'critical friend' challenge.

The Council requested a Corporate Peer Review which took place in January 2024. The report from the Local Government Association has now been published and outlines how the Council has made improvements “it can be proud of”. The report urges Members and Officers to continue on the improvement journey and highlights areas of performance where the Council can improve on, alongside examples of best practice.

(vi) Report of Director of Law and Governance

In March 2024, the Director of Law and Governance brought a report to Full Council under the Local Government & Housing Act 1989. The Act provides that it is the personal duty of the Monitoring Officer to report formally to the Council on any proposal, decision or omission by the Council which has given rise to, or is likely to, or would, give rise to, the contravention of any enactment, rule of law or statutory code of practice.

The report dealt with historical flaws in pay policies which potentially led to unlawful payments to former staff and confirmed that all steps have been taken and adopted to ensure all identified issues in old pay policies have been addressed. These matters were also referred to the Police by the Director of Law and Governance in December 2023.

Our governance framework

Introduction

The Council's Governance Framework consists of the systems and processes by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It also includes our values and culture.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost-effective services.

As the Council improves the way it provides services, it is important the governance arrangements remain robust whilst being proportionate and able to adapt to changing circumstances.

To review the effectiveness of the governance framework, assurances are provided, and challenged by the Audit Committee, Scrutiny Committees, Cabinet or Council as appropriate. Key elements of the Governance Framework are highlighted on the following pages.

It is not possible for any governance framework, by itself, to eliminate all risk of failure to meet targets in our policies, aims and objectives. Instead, it provides **reasonable** and not **absolute** assurance of effectiveness.

The following paragraphs outline the key features of the Council's Governance Framework.

(i) The Three Lines of Defence in effective Risk Management and Control

Assurance can come from any sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories, this helps the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. These are:

- **First Line** - functions that own and manage risks, e.g. management and supervisory controls;
- **Second Line** - functions that oversee risks, e.g. governance structures and processes such as Audit Committee, Scrutiny and other boards;
- **Third Line** - functions that provide independent assurance on the management of risks, e.g. OFSTED, Internal / External Audit).

The table on the next page summarises the Council's Governance Assurance Framework, which is based on the Three Lines of Defence model:

Leader, Portfolio Holders, Chief Executive, Chief Financial Officer, Monitoring Officer, Executive Management Team
 (Provide oversight of the Three Lines of Defence assurance framework)

| 2nd Line of Defence Oversight and Support | 1st Line of Defence Business & Operational Management | 3rd Line of Defence Independent Assurance |
|---|--|--|
| Strategy / Policy / Direction setting, decision-making, assurance oversight | Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance, ensuring compliance. | Independent challenge and audit, reporting assurance, audit opinion assurance levels |
| Committee and Scrutiny Functions | Operational Management and Staff | Internal Audit |
| Senior Management Functions | Managing Performance and Data Quality | External Audit |
| Quality Control Checks | Programme and Project Management | External Inspections |
| Risk Management | Delivery of Service Plans | Review Agencies |
| Functional compliance (Information Management, HR, Legal, Procurement and Financial Management) | | Regulators |

(ii) Setting Policy Direction - The Corporate Plan

The Council's Corporate Plan was redrafted during 2022-23 and approved by Full Council in May 2023. The Council's vision in the new Corporate Plan is:

Northumberland: Land of Great Opportunities. With world-class facilities to stunning landscapes, spectacular castles, picturesque coastal and market towns, we believe there's no better place to live and work. Our economy boasts a growing, internationally-recognised offshore and renewable energy hub delivering clean and green growth. And, we have a strong manufacturing base, including in pharmaceuticals and life sciences. We are the largest and least densely populated local authority area in England. That makes for lots of communities with distinctive characteristics, heritage, functions and needs. We aim to build on all these strengths to ensure the county continues to be a land of great opportunities for current and future generations. To achieve this, Members and Council staff are focused on working together to deliver our three Corporate Priorities:

- **Achieving Value for Money** – recognising we are funded by residents and businesses and are accountable to them for our spending decisions and the quality of services we deliver. We must ensure we are delivering Best Value through efficient, effective and accessible services that respond to and meet the needs and expectations of our residents. And, as one of the largest employers in the county, we can become a leading example for residents, communities and businesses on carbon neutral approaches.

- **Tackling Inequalities** – ensuring people have fair access to the building blocks for a good life such as a decent income, a good quality job, safe, affordable and warm housing as well as good quality education and training opportunities. By tackling inequalities, we want to reduce the gap in experiences our residents have across health, education, employment and social outcomes.
- **Driving economic growth** - so that everyone can benefit from a strong and sustainable economy. There are significant opportunities for growth right across our diverse and rich county and harnessing these opportunities will support our communities to thrive. We want Northumberland to be a great place to live with opportunities for all of our residents, whether they live in our vast rural countryside or within one of our busy towns.

In achieving the three Corporate Priorities, we will ensure we pass on a healthy, clean and sustainable environment to future generations. Each of our three Priorities has a part to play in responding to Climate Change. The Council's approach to Climate Change has now been set within the context of the Council's broader environmental ambitions. These are outlined in the Environmental Policy Statement which was agreed by the Council's Cabinet during 2023/24.

(iii) Managing and Evaluating Performance

Alongside the new Corporate Plan, work on the development of a new Planning, Performance and Accountability Framework (PPAF), was completed in March 2024.

Promoted through the Council's Best Value approach, the Planning, Performance and Accountability Framework

enables the organisation to embed continuous improvement and ensures the overall value of everything we do has the best impact it can.

Performance management is about using data to inform actions that will improve outcomes for residents. It supports our Members and Officers to take necessary actions based on data about how we are performing.

It will help us:

- Clearly identify our priorities and desired outcomes;
- Embed continuous improvement;
- Ensure we are doing things correctly;
- Achieve the best impact from our decisions;
- Demonstrate the value we are delivering for our residents;
- Define, coordinate and frame processes to plan and prioritise our work.

The Council's Performance Management framework is published on the website and performance information is updated regularly. Performance is reported quarterly, and Key Performance Indicators are reviewed annually. In addition to operational service delivery indicators, workforce data is included in quarterly and annual Corporate Performance reports.

Finance officers meet regularly with budget holders across the Council and prepare a monthly financial monitoring statement. Cabinet receives quarterly finance and performance updates.

At a service level, regulatory inspections of Adult and Children's Services by Ofsted and CQC continue as part of

the programme of inspections by the relevant bodies. Reports are provided to the Audit Committee, informing Members of findings and providing assurance of how the actions resulting from inspections are implemented and monitored.

The Ofsted inspection of Children's Social Care in January 2020 was recognised as 'Good' across all areas.

(iv) Service Planning

Service plans are prepared annually by each Director who are responsible for their production and delivery, setting out clear accountability. Plans also aim to provide assurance to the organisation that the Corporate Priorities of achieving value for money, tackling inequalities, and driving economic growth are being delivered. They also outline how each service will deliver on key functions including national regulatory and benchmarking requirements.

Progress of actions within the Service Plans will be monitored by Directors with their Executive Directors.

Service Plans help the development of team and operational plans so that teams and individuals understand how they contribute to and are responsible for achieving the corporate priorities.

(v) Spatial Planning

The Council's Local Plan sets out the long-term spatial vision and strategic planning policies of the Council. It identifies the scale and distribution of new development which is required to deliver the Council's economic growth ambitions. It also provides the strategic planning principles that will be used to

inform Neighbourhood Development Plans across Northumberland.

The Northumberland Local Plan was submitted to the Government in May 2019, and an Inspector was appointed to undertake the independent examination of the plan. The Inspector's role was to determine whether or not the Local Plan was sound and complied with all relevant legal requirements. Following the Examination Hearing Sessions, the Inspector concluded that the Plan could be made 'sound' through modifications. Following consultation on the modifications to the Local Plan, the Inspector issued her final report, and the Local Plan was adopted by the Council on 31st March 2022.

(vi) Managing Risk

The management of risk is key to achieving what is set out in the Corporate Plan and ensuring we meet all our responsibilities. Our Risk Management Policy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact. The Council has a process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The process is reviewed and updated on a regular basis with reference to available good practice and to ensure it reflects the rapidly changing environment in local government.

The risk management process includes a hierarchy of corporate, service and operational risk registers and allows for

dynamic escalation and de-escalation of risks, so that risks are managed at the appropriate level of the organisation. Project risks may impact and be owned and managed at any level.

Audit Committee is responsible for monitoring the effective development and operation of risk management in the Council. Corporate risks are 'owned' by the nominated Executive Management Team Officer and the designated Cabinet Member with relevant portfolio responsibility. Corporate risks are subject to review twice per year and are presented to Executive Management Team and portfolio holders for discussion, challenge and agreement.

The Corporate Risk Register plays a critical role in supporting achievement of priorities as set out in the Corporate Plan. In December 2023, Cabinet agreed the following key risks to be managed at a corporate level:

Corporate Level Risks

1. Financial Sustainability
2. OD / Workforce
3. Civil Contingency & Business Continuity
4. Corporate Compliance
5. High-profile Capital Projects
6. Response to Climate Change

- 7. Wholly owned Companies
- 8. Cyber Security
- 9. Adult Service Domiciliary Care National Shortage
- 10. BEST
- 11. Strategic Community Safety
- 12. Social Housing (Regulations) Act 2023

(vii) Decision Making and Responsibilities

The Council consists of 67 Elected Members, with a Cabinet of Leader, Deputy Leader and Cabinet Members (ten portfolios in total). The decisions of Cabinet are scrutinised and shaped by the Council's Overview and Scrutiny Committees. The Council currently consists of 67 Elected Members. During 2022-23, Northumberland was subject to a review of its Divisional boundaries by the Local Government Boundary Commission for England. This review concluded in 2023/24 and when implemented will see the number of Members rise to 69 at the next local election scheduled for May 2025.

The Council has five Local Area Committees which cover: North Northumberland; Tynedale; Castle Morpeth; Cramlington, Bedlington and Seaton Valley; and Ashington and Blyth. Their overall aim is to empower residents, strengthen communities and improve services.

The key document supporting the Council's governance arrangements is the Constitution. This sets out how the Council operates, how decisions are made, as well as the rules and procedures that must be followed to ensure that work is efficient and transparent, and the Council is accountable to local people. The Council as a whole is responsible for agreeing the Constitution, and any amendments require the agreement of Full Council.

To ensure the Constitution is up to date and fit for purpose, the Council established a Constitution Working Group. This is a cross-party Member group. The work of the Group is determined by the areas of review proposed by Members; there is an open invitation to all members to add to the Constitution Working Group's work plan. The reports and recommendations of the Constitution Working Group are reported to Full Council for review and agreement.

The Constitution sets out the functions of key governance Officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Director of Law and Governance) and 'Section 151 Officer' (Executive Director Transformation and Resources). It sets out the respective roles of these Officers in ensuring processes are in place for enabling the Council to meet its statutory obligations.

The Council reviewed and redrafted the Council's Constitution in 2022-23. The new Constitution document was agreed by Full Council at its Annual General Meeting in May 2023.

Decisions are made by Cabinet, working within the agreed budget and policy framework. The Cabinet is held to account by the Council's Overview and Scrutiny Committees. To enable a more streamlined process, responsibility for certain

Annual Governance Statement 2023/24 (Draft)

decisions is delegated to Senior Officers, in line with powers set out in the Constitution.

The key roles of those responsible for the Governance Framework in Northumberland are outlined in the table below and opposite.

| | |
|--|---|
| The Council | Approves the Council Budget and Policy Framework. Approves the Constitution (including Standing Orders and Financial Regulations). |
| Cabinet | The executive decision-making body of the Council. Comprises ten Cabinet Members (including the Leader and Deputy) who have responsibility for their respective portfolios. |
| Audit Committee | Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. Promotes high standards of member conduct. Approves the Annual Statement of Accounts and Annual Governance Statement. |
| Scrutiny Committees | There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. These allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. They hold Cabinet and Officers to account and scrutinise performance. |
| Executive Management Team | Implements the policy and budgetary framework set by the Council and provides advice to Cabinet and Council on the development of future policy and budgetary issues. Oversees the implementation of Council Policy. |
| Chief Financial Officer (s151) (Executive Director of Transformation and Resources) | Accountability for developing and maintaining the Council's governance, risk and control framework. Contributes to the effective corporate management and Governance of the Council. |

| | |
|--|--|
| Monitoring Officer (Director of Law and Governance) | To report on contraventions or likely contraventions of any enactment of rule of law. To report on any maladministration or injustice where the Local Government Ombudsman has carried out an investigation. To establish and maintain registers of member interests and gifts and hospitality. To advise members on the interpretation of the Code of Conduct for Members and Co-opted Members. Overall responsibility for the maintenance and operation of the Confidential Reporting Procedure for employees (Whistleblowing) and, contributes to the effective corporate management and governance of the Council. |
| Internal Audit | Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers annual programme of risk-based audit activity, including counter fraud and investigation activity. Makes recommendations for improvements in the management of risk. |
| External Audit | Audit / review and report on the Council's financial statements (including the annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion). |
| Managers | Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Contributes to the effective corporate management and governance of the Council. |

Meetings are normally held, and decisions agreed in public, although, a small number of decisions are considered in private where commercially sensitive, confidential or otherwise exempt matters are being discussed. All reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website. Reports follow a standard template, ensuring corporate implications are considered and highlighted.

The Council's Forward Plan is published on the website and contains information about all matters likely to be the subject of a key decision taken by the Council during the forthcoming four-month period.

(viii) Pay Policy

The 2023/24 Pay Policy Statement was reviewed and agreed at a meeting of the County Council on 22 March 2023 and subsequently published on the Council's website thereby meeting the requirements of the Localism Act 2011. The pay policy sets out the Council's policies on a range of issues relating to the pay of its workforce.

(ix) Equality

We are an accessible and inclusive organisation and welcome and respect the diversity of all people visiting, living and working in the County. As part of our duty under the Equality Act 2010, the Council publishes equality objectives. These set out our equality priorities regarding employment practices and the way we provide services.

Any new Council policy, proposal or service, or any change to these that affect people must be the subject of an Equality Impact Assessment to ensure that the equality issues have been properly considered throughout the decision-making processes.

(x) Financial Management, Procurement and Value for Money

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This ensures proper

stewardship and governance, and the adequacy and effectiveness of these arrangements are reviewed regularly.

For the 2023-24 financial year, the Council set a balanced budget. The Report to Cabinet in March 2024 (Financial Performance 2023-24 – Position at the end of December 2023) noted a projected net overspend of £0.510 million after the utilisation of the reserves. This was an improvement from the September 2023 position where the projected overspend was £0.949m.

During 2023-24, the Council launched its 'BEST ways for working' to further strengthen and refine the Councils' approach to Value for Money and continuous improvement.

(xi) Using Indicators of Financial Resilience and Stress

CIPFA's published Financial Resilience Index for all English local authorities measures performance across nine financial indicators. The Financial Resilience Index for the Council for the year 2022/23 shows the following levels of risk across the nine primary indicators set out below:

- Reserves Sustainability Measure (Lower risk)
- Level of Reserves (Lower risk)
- Change in Reserves (Medium risk)
- Interest Payable / Net Revenue Expenditure (Higher risk)
- Gross External Debt (Higher risk)
- Social Care ratio (Lower risk)
- Fees & Charges to Service Expenditure Ratio (Lower risk)
- Council Tax Requirement / Net Revenue Expenditure (Lower risk)

- Growth Above Baseline (Medium to Lower risk)

The Executive Director of Transformation and Resources & S151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972. Our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Finance and Contract Rules. These include established budget planning procedures, which are subject to risk assessment, and budget monitoring reports to Cabinet. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

(xii) Managing Data & Information

Information is an asset at the heart of all Council decision-making processes, and it is therefore vital we manage it throughout its lifecycle. Information governance is the framework of law and best practice that regulates the way information and data is managed, obtained, handled, used and disclosed.

The Council is a registered Data Controller with the Information Commissioner's Office (ICO) and we have a robust Information Governance Framework. Our framework sets out the roles, responsibilities, policies and procedures, along with best practice and standards adopted to manage

our information and data assets. It also describes the approach to assurance and risk management.

As a Council we recognise our responsibilities to ensure information is available to the right person, in the right format at the right time to achieve accurate, reliable decisions that inspire confidence and transparency in our decision-making processes.

The Council's website provides details on information governance including the Council's policies covering data protection, freedom of information, environmental information regulations and records management. The Publication Scheme advises the public about how to get the information they seek from the Council and the transparency pages on the website meet the requirements of the Local Government Transparency Code 2015.

(xiii) Audit and Audit Assurances

The Council's Internal Audit and Risk Management Service operates in accordance with the Accounts and Audit Regulations 2015, the Public Sector Internal Audit Standards (revised April 2017) and the related Local Government Application Note published jointly by the Chartered Institute of Public Finance and Accountancy and Institute of Internal Auditors (revised February 2019).

Following consultation with stakeholders and assessment of risk, a Strategic Audit Plan is presented annually to the Audit Committee to consider and review the planned work and coverage proposed by the Chief Internal Auditor, who is autonomous in determining how Internal Audit resources will be deployed and who is bound by legislation and professional standards in delivering an effective Internal Audit. There are

reports to the Audit Committee on the key outcomes of Internal Audits completed on a bi-annual basis with a summary of audits undertaken, opinion levels, good practice identified, issues and actions taken since the Audit was completed.

Internal Audit also provides assurance to Audit Committee that Audit recommendations have been implemented. Internal Audit has responsibility for investigating possible irregularities. The aim is to give assurance to Officers and Members that key processes operate in an efficient and effective manner and ensure the integrity of transactions.

The Chief Internal Auditor's 2023/24 'Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control' will be reported to Audit Committee in May 2024.

Audit Committee is a key component of the Council's corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Audit Committee is to provide independent assurance to those charged with governance on the adequacy of the risk management framework and the internal control environment.

It provides independent review of the 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. An independent Chair of Audit Committee was appointed in July 2021. During 2023/24, Chair indicated his intention to

step down. Subsequently, the Council commenced recruitment for a new independent chair.

The Audit Committee's responsibilities with regards to Governance, Risk and Control are:

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval 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.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.

- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

(xiv) Conduct

Our Codes of Conduct for Members and Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed, and Members and Officers are reminded of the requirements.

The Monitoring Officer has maintained the Councillors' register of interests, as required under the Localism Act 2011. This is available online for public inspection. The register includes the declaration of gifts and hospitality received by Members in connection with their official duties.

Advice is available throughout the year to Members on the need to make appropriate declarations of interests under both the 2011 Act and the Local Members' Code of Conduct. For the period 1st April 2023 to 15th March 2024, the Council received 22 complaints under the Member's Code of Conduct. 21 of these complaints are now closed and 1 remains open. 11 complaints involved the County Councillors and 11 involved Parish Councillors.

(xv) Whistleblowing

People who work for, or with the Council are often the first to realise that there may be something wrong within the organisation. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council operates a whistleblowing policy, and has a robust complaints process, designed to ensure that all issues are properly investigated.

The Council also provides an independent, confidential 'Safecall' service where employees can report any concerns. This does not replace internal reporting procedures but is used to provide an alternative for employees who may not wish to use the internal options.

(xvi) Counter Fraud

We recognise that as well as causing financial loss, fraud and corruption can also adversely impact service provision and morale, undermining confidence in the Council.

We're committed to a zero-tolerance approach on all aspects of fraud. We have a dedicated Fraud Team, who investigate fraud and irregularity allegations. A dedicated resource is available within the Fraud Team to lead investigations into breaches of policy and suspected irregularities, including proactive work, and developing an anti-fraud culture. The Audit Committee receives regular updates on all fraud investigations.

Our website informs people how they can report suspected fraud against the Council.

Our plans for improving governance

The process of preparing this Annual Governance Statement helps the organisation to focus on continuous improvement of our governance arrangements. The progress made during 2023-24 on the improvement areas identified in our 2022-23 Annual Governance statement is summarised in the table below.

| | | |
|---|---|--|
| 1 | BEST (previously known as the Strategic Change Programme) Embed and progress each of the seven BEST Workstreams across the organisation. | Partially Complete. Activities across the seven workstreams have commenced with savings targets agreed as part of the Council's 2024/25 Budget. The findings of the Corporate Peer Review highlighted the need for more work to embed BEST so that it is better understood across staff at all levels and across all services. |
| 2 | Independent Review of Governance Continue to deliver, review and refine the improvement actions from the Independent Review of Governance. | Complete. All actions have been completed in full or are in progress. Naturally, some of these actions are ongoing activities. |
| 3 | External Communications (Corporate Performance) Enhance the resident facing reporting elements of Corporate Performance (both publishing reports on the Council website, and strengthening the Corporate Performance system) to improve usability, accessibility, and alignment to enhanced content i.e. operational, finance, workforce, and the Council's Corporate Plan KPIs that link to our three strategic priorities, and BEST programme outcomes. | Partially Complete. We have refreshed our performance reporting arrangements, including quarterly reports to Cabinet and a year-end report to Full Council. These reports are published on the Council's website. A review of the Corporate Plan indicators was started in 2023/24 and is due for completion in 2024/25. A Planning and Performance Accountability Framework document has been developed. |

| | | |
|---|---|---|
| 4 | <p>Disaster Recovery/Business Continuity/ Cyber Resilience testing.</p> <p>Following several cyber-attacks on local authorities and Northumbria Healthcare Trust, Information Services will run simulation exercises to test the resilience, continuity plans as well as Disaster Recovery arrangements.</p> | <ul style="list-style-type: none"> • Complete. To ensure the Council can recover from a major failure of IT systems, such as after a cyber-attack, a service has been established that allows data to be copied to a secure secondary online site that can be brought into operation should our IT Disaster Recovery Plan be invoked. This site will allow staff to continue to access systems and provide services to residents and business while IT staff rebuild the primary systems. • In January 2024, the DIT team deployed a Security Incident and Event Management System (SIEM) to log and analyse all security related events across all of the authority's IT infrastructure - servers, networks, applications and Internet links. From analysing patterns in the logs, the SIEM generates alerts for IT staff to notify them of potential attacks, allowing them to respond proactively. |
| 5 | <p>Governance (Advance Northumberland)</p> <p>Embed the new Shareholder Committee for Advance.</p> | <p>Complete. The Committee has been established and met in July and November 2023.</p> |
| 6 | <p>Review of Scrutiny</p> <p>Develop and deliver with Members, the outcomes of the review of the Council's Scrutiny arrangements.</p> | <p>Partially Complete. During 2023-24 We reviewed and refreshed the Council's Scrutiny Function and will continue to develop and strengthen Scrutiny arrangements with Scrutiny Chairs and Members.</p> |
| 7 | <p>Peer Review</p> <p>Undertake a focused peer review during the Municipal Year.</p> | <p>Complete. A Corporate Peer Review was undertaken in January 2024 and reported to Full Council in March 2024.</p> |

The table below summarises key, strategic areas of improvement identified during the 2023-24 annual governance review and outlines the planned actions to be completed to enhance the Council's Governance arrangements.

| | | |
|---|-------------------------------|--|
| 1 | Key change initiatives | Using existing networks, processes and approaches to further embed key initiatives such as BEST and the Corporate Plan (e.g. Corporate Briefing, Performance Reporting, Service-Planning). |
| 2 | Trust and openness | Continue the programme of Group Leaders meetings. Communicate the positive progress that is being made with Member-Member working as well as Member to Officer working. Develop the new programme of Policy Conferences for 2024/25, listening to and reflecting on Members' feedback and ideas for improving these. |
| 3 | Member development | Continue to strengthen the Member Training offer in 2024/25 (listening to Member feedback) as well as improving communication on this. |
| 4 | Data and performance | Deliver Data & Business Intelligence Strategy. Refine and clarify the link between improved use of 'data & BI' and corporate performance reporting. |
| 5 | Workforce | Develop and rollout NCC's new Workforce Development Plan. Use the rollout of BEST reviews to embed understanding and engagement on BEST across all parts of the organisation. |
| 6 | Partners | Refresh and communicate Member and Officer arrangements in relation to the new Combined Authority. As part of this, consider what NCC services and functions could do differently to work even more effectively with the new CA. |
| 7 | Value for Money | Deliver Value for Money Statements for each NCC Service as part of the 2024/25 Service Planning Process. Continue to develop and re-profile the Capital Programme. |

These areas of improvement will be monitored during 2024-25 and reported to the Audit Committee as part of the Council's Governance review arrangements.

Post 2023/24 events

Post 2023/24 Events

This section will be updated following the end of 2023/24 financial year for inclusion in the final Annual Governance Statement.

Assurance

Assurance

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and, that significant risks impacting on the achievement of the Council's objectives have been mitigated.

Progress had been made against the governance improvement plan identified during the 2022/23 governance review, and where actions have not yet been fully completed, they will continue to be progressed. In addition, a number of opportunities to further strengthen the Council's governance arrangements were identified during the 2023/24 governance review process.

Signed
Cllr Glen Sanderson
Leader of Council

Dated:

Signed
Dr Helen Paterson
Chief Executive Officer

Dated:

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Audit Committee

Wednesday, 27 March 2024

Strategic Audit Plan 2024/25

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Internal Audit contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. Purpose of report

The purpose of this report is to advise Audit Committee of the Strategic Audit Plan for 2024/25. This document outlines the planned work of Internal Audit during this period and is attached as **Appendix 1**.

3. Recommendations

3.1 It is recommended that Audit Committee:

- a) approves the Strategic Audit Plan 2024/25, attached as **Appendix 1**, and notes that prevailing risks and impact on assurance needed will continue to be kept under review by the Head of Internal Audit and Risk Management.
- b) approves the updated Internal Audit Charter for 2024/25, attached as **Appendix 2**.
- c) notes the update on improvement actions for the Internal Audit Service, attached as **Appendix 3**, from self-assessment and external quality assessment of compliance with the Public Sector Internal Audit Standards.

4. Background

4.1 The Strategic Audit Plan for 2024/25, which sets out in detail the planned Internal Audit coverage for the coming year, is attached to this report as **Appendix 1**. The Strategic Audit Plan helps to ensure that internal auditing can fulfil its prescribed definition 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".

- 4.2 Progress against the Strategic Audit Plan will be reported to Audit Committee throughout the year, along with any proposed revisions and key outcomes from work. A final outturn report and the Chief Internal Auditor's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control will be reported to the Audit Committee in May 2025.
- 4.3 The Internal Audit team has a key role in helping the Council achieve its objectives by exploring areas of potential efficiency and matters of probity and internal control. Preparation of a Strategic Audit Plan ensures that Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Council. The Plan will be kept under review to take into account any changes in governance arrangements and the control environment that occur during the year.
- 4.4 Internal Audit's 'Preparation of the Strategic Audit Plan – 2024/25' report presented to Audit Committee in January 2024 set out Internal Audit's approach to preparing the 2024/25 Strategic Audit Plan. The approach has been designed to ensure that:
 - a) Legislative responsibilities, professional standards and the Council's Finance and Contract Rules are fully complied with;
 - b) Internal Audit is independent in its planning and operation and has an unrestricted range of coverage of the Council's activities; and
 - c) Resources are targeted at areas in which audit coverage will produce greatest benefit.
- 4.5 The Plan is based on an assessment of the Council's objectives, risks facing the organisation, strengths and weaknesses in the internal control system and consultation with senior management and Audit Committee members.
- 4.6 The Council has a statutory responsibility to maintain "an adequate and effective internal audit" and the Strategic Audit Plan attached as **Appendix 1** has been prepared in accordance with this requirement.
- 4.7 The Public Sector Internal Audit Standards require that the Audit Committee, as the designated 'board' is required to approve the Internal Audit Charter periodically. The Internal Audit Charter was most recently approved by Audit Committee in July 2022. The Internal Audit Charter has been reviewed and updated following the outcomes of internal and external review of conformance to the Public Sector Internal Audit Standards, to ensure that the exact requirements of the standards continue to be met. The updated Internal Audit Charter is attached as **Appendix 2**.
- 4.8 The Public Sector Internal Audit Standards require that an external assessment of conformance to the standards by the Internal Audit Service is undertaken at least once every five years. The previous external assessment was undertaken of the shared Internal Audit service with North Tyneside Council in 2018.
- 4.9 A self-assessment of conformance to the standards was undertaken and reported to Audit Committee in January 2023, with updates reported to Audit Committee in July 2023 and November 2023. The self-assessment reported a high level of conformance and highlighted a small number of areas in which further development would assure greater adherence to the required standards, with identified actions.

- 4.10 The results of an external quality assessment, undertaken by CIPFA, was reported to Audit Committee in January 2024. The review concurred with the self-assessment that the Internal Audit Service ‘generally conforms’ to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Some suggested improvements were identified by the review, which have been consolidated with improvements from the self-assessment. An update on all action is set out in **Appendix 3**.

5. Options open to the Council and reasons for the recommendations

- 5.1 Not applicable.

6. 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. Based on an assessment of risk the Strategic Audit Plan sets out the planned areas in which this coverage will be focussed. |
| Finance and value for money | The audit of the Council’s activities, as set out in the Strategic Audit Plan, 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 inefficiencies. |
| 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. |
| Procurement | There are no specific procurement implications within this report. |
| Human resources | There are no specific human resources implications within this report. |
| Property | There are no specific property implications within this report. |
| The Equalities Act: is a full impact assessment required and attached? | No - no equalities issues identified Equality Impact Assessment not required. |

| | |
|--------------------------------|---|
| Risk assessment | The Strategic Audit Plan is prepared using a risk-based approach, thus ensuring that coverage is focussed on those areas of Council activity with high levels of risk to the achievement of key objectives. |
| Crime and disorder | Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified. The work of Internal Audit is a key strand in the Authority's counter-fraud arrangements, as set out in the Strategic Audit Plan. |
| Customer considerations | The Strategic Audit Plan 2024/25 has been based on a risk-based audit needs assessment following consultation with customers of our Service including the Audit Committee, Chief Executive, Executive Directors, relevant Service Directors and Heads of Service and the Cabinet Member for Corporate Services. |
| Carbon reduction | There are no specific carbon reduction implications within this report. |
| Health and wellbeing | There are no specific health and wellbeing implications within this report. |
| Wards | (All Wards) |

7. Background papers

Not applicable.

8. Links to other key reports already published

- Public Sector Internal Audit Standards (PSIAS), Chartered Institute of Public Finance and Accountancy / Institute of Internal Auditors, 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, February 2019;
- The Accounts and Audit Regulations 2015, April 2015;
- Northumberland County Council Constitution & Finance and Contract Rules;
- Audit Committee Report 31 January 2024 - Preparation of the Strategic Audit Plan 2024/25.

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Internal Audit and Risk Management Service

Strategic Audit Plan 2024/25

1 Introduction

- 1.1 Internal Audit is “*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*”¹. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 Internal Audit is an independent resource available to assist the organisation to explore areas of potential efficiency and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Council to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.
- 1.3 Internal Audit provides assurance to the organisation that controls established to manage risks to the achievement of the Council’s objectives are operating effectively. This has a positive impact on the risk environment, informing management whether the action which they are taking to control and manage risks is working as it should.
- 1.4 The Strategic Audit Plan has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and a specific Local Government Application Note on the Standards. These were introduced in 2013 (revised in subsequent years) and build upon the good practice set out in previous professional regulations, including audit planning requirements, and have the force of law. Preparation has involved establishing a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation’s goals and the aspirations of key stakeholders with regard to assurance activity for the Council.
- 1.5 The Strategic Audit Plan, more detail of which is included in section 8, helps to ensure that Internal Audit is able to meet its objectives as an independent assurance function for the Council and to provide an independent and objective opinion to the organisation on the adequacy and effectiveness of the framework of governance, risk management, and control. Internal Audit must be independent in its planning and operation. Accordingly, in producing the Strategic Audit Plan, the Chief Internal Auditor (Head of Internal Audit and Risk Management) is required to determine the priorities of Internal Audit, following consultation with stakeholders and assessment of risk, and to present this Plan to senior management and the ‘Board’ for review and approval.

¹ Public Sector Internal Audit Standards, CIPFA / IIA, revised April 2017

2 Period Covered by the Strategic Audit Plan

- 2.1 The Strategic Audit Plan sets out the assurance coverage which Internal Audit will deliver within the coming financial year, 2024/25. The Plan needs to be realistic and achievable, and sufficiently flexible to respond to changing priorities as they occur.
- 2.2 On an annual basis, the areas which may benefit from audit review, and the risk associated with the Council's operations are reassessed. Every year, an updated Strategic Audit Plan is presented to the Audit Committee for approval.
- 2.3 The key objectives for the audit reviews identified to take place during 2024/25 are shown in section 8 of this document and each audit has been mapped to the Corporate Plan 2023-2026, to demonstrate that assurance is not provided in isolation but contributes directly to the achievement of the Council's main goals.

3 Risk Assessment and Audit Planning

- 3.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Risk-based internal auditing requires Internal Audit to understand and analyse management's assessment of risk, and base audit efforts around this assessment of risk to the organisation.
- 3.2 Internal Audit adopts assurance mapping to assess the level of confidence the Council can have in its service delivery, management of risks, operation of controls and performance. Considering the prevailing corporate risks, details of assurance sources have been mapped across three levels often referred to as the three lines model, i.e. management, corporate oversight and independent assurance. This provides information on assurances the Council has on areas of the business that matter most, and highlighting where there may be potential deficiencies.
- 3.3 In addition to corporate risks, a number of other sources of information are considered as part of the Internal Audit planning process, including:
 - Service Strategic Risks rated as 'Red' by Heads of Service and Directors
 - Internal Audit work undertaken during 2023/24 and any audit reports with a 'Limited Assurance' Opinion
 - Our 'Audit Universe' of auditable areas across the Council
 - Reports to Council, Cabinet and other Committees
 - Consultation with key stakeholders, including Executive Management Team, Corporate Risk Owners, Audit Committee and the Cabinet Member for Corporate Services.
- 3.4 Those auditable areas identified as most risk-sensitive by this process have been prioritised for audit in the Plan. Changes in the risk environment along with progress against the Plan will continue to be monitored and assessed throughout the year, and the results of this assessment used to inform in-year and future audit priorities. This ensures that the Plan remains flexible and reflects the risks facing the Council.
- 3.5 The Strategic Audit Plan has therefore been based on an assessment of the Council's objectives and business goals, risks facing the organisation and its

achievement of these goals, known strengths and weaknesses in the internal control system, the Accounts and Audit Regulations 2015, and the views of consultees.

4 Internal Control: Roles of Management and of Internal Audit

- 4.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:
- safeguard assets and prevent fraud;
 - ensure the completeness and reliability of records;
 - monitor adherence to laws, regulations, policies and directives;
 - promote operational efficiency and good value for money; and
 - manage risk.
- 4.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit assists management in delivering the objectives of the Council through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. 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 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 Council'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.
- 4.3 It is usual that a project brief is produced and distributed prior to an audit starting so that the objectives of the audit and approach to be adopted are understood and agreed by both Internal Audit and the audit client.

5 Quality Standards

- 5.1 Under the Accounts and Audit Regulations 2015, the 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." The Department for Communities and Local Government (DCLG) determined that the 'proper practices in relation to internal control' will comprise both the Public Sector Internal Audit Standards (PSIAS) and the specific Local Government Application Note. The Chartered Institute of Public Finance and

Accountancy (CIPFA) has been designated the relevant Internal Audit Standard Setter for local government bodies under the PSIAS.

- 5.2 The PSIAS incorporate a Code of Ethics for internal auditors, and a number of clear attribute and performance standards with which Internal Audit functions are required to comply. It is a requirement of the PSIAS that Internal Audit is externally assessed for its conformance to the standards at least once in every five years. During 2023 an external assessment of Northumberland County Council's Internal Audit Service was performed by CIPFA. The overall opinion of the external assessor was:
- "It is our opinion that the internal audit service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note."*
- 5.3 This is a positive result and "generally conforms" is the highest assessment outcome provided by CIPFA. Some suggested improvements were identified and an action plan has been developed to address these.

6 Resource Management

- 6.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Internal Audit's establishment from April 2024 comprises the equivalent of 8.42 full time employees and the Head of Internal Audit and Risk Management, although Internal Audit also provides assurance services for some other entities (e.g. the Advance Northumberland Group of Companies) from the same FTE complement outlined above. As we prepare for 2024/25 this figure includes one vacancy within the service, and the recruitment process in relation to this post is being progressed. The resourcing of Internal Audit is kept under constant review.
- 6.2 Reporting lines within the Internal Audit and Risk Management team ensure a separation of duties between Internal Audit and Risk Management functions, in order to ensure compliance with the Public Sector Internal Audit Standards and prevailing good practice regarding assurance and independence.
- 6.3 As reported to Audit Committee at its meeting in January 2023, the PSIAS require that a quality assurance and improvement programme (QAIP) be developed, designed to enable an evaluation of internal audit's compliance with the PSIAS and Code of Ethics, and assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The QAIP approved by Audit Committee in January 2023 was developed to codify these arrangements. As part of this process, we have formalised performance indicators designed to measure the efficiency and effectiveness of the service, which are reported to Audit Committee throughout the year.

7 Key Themes in the Strategic Audit Plan, 2024/25

- 7.1 Based on Internal Audit's assessment of risk, including knowledge of the Council's internal controls, areas of strength and weakness and the Council's priorities, the Strategic Audit Plan bears the following key themes.

Advice & Programme Assurance

Programme and Project Assurance

- The Strategic Audit Plan recognises Internal Audit's project assurance role. This role involves advising on, and challenging, the approach to internal control within new or improved systems and methods of service delivery. By undertaking this role, Internal Audit proactively acts as a partner to the business and adds maximum value to service improvement, in order to assist the Council's Executive Management Team and the organisation to achieve objectives. This aspect of Internal Audit's role has increased in prominence over recent years and was a recurring theme in Internal Audit's discussions with senior management as part of our consultation in relation to the 2024/25 Audit Plan, particularly in respect of our BEST programme.

Advice and Consultancy, and Contingencies

- During the year Internal Audit will be approached by management for advice, or requested to examine ad-hoc areas, systems or irregularities. A contingency has been set aside in order that Internal Audit is able to respond efficiently to such requests. The required number of contingency days is difficult to predict and can by its very nature be subject to variation as it includes responding to potential irregularities and performing special investigations. For the purposes of resource planning, historic data on the ad-hoc requests previously made to Internal Audit, and the time required, have been reviewed and used to inform the allocation set out.

Audit and Assurance

Corporate and Cross Cutting Activities

- Areas which are important throughout all of the Council's services in respect of which audit review helps give assurance to the organisation or highlights aspects in which improvement could be made. During 2024/25 these audit activities will include:
 - Following up audit recommendations;
 - Pre-submission review of grant claims;
 - The Chief Internal Auditor's Annual Opinion;
 - Governance and value for money reviews.

Service Area Assurance / Schools

- The Internal Audit Service performs high quality audits of the Council's service areas, focusing on specific areas of importance or risk. Regarding schools, Internal Audit will address risk issues within a school environment through a thematic approach, auditing key risk areas in a sample of schools and cascading key messages and learning points throughout the wider school environment.

Computer Audit

- The Council invests heavily in computer-based systems to aid delivery of services and to undertake the majority of financial processing tasks. The use and integration of information and communications technology (ICT) within the Council continues to increase. As well as improved economy, efficiency and effectiveness, computer-based systems involve a different set of risks which require a specific audit approach.
- Computer audit is a specialist audit area, requiring detailed knowledge and skills associated with information and communications technology. Accordingly, it is planned to undertake a continuous programme of audits on the Council's ICT systems.

Counter Fraud and Key Financial Systems

Key Financial Systems

- A key role of the Internal Audit Service is the assessment of internal control in the Council's key financial and strategic systems. Key financial systems comprise those major systems by which the Council makes payments (payroll and creditor payments), and the major systems through which income is received (cash or debtor account). Strategic systems are fundamental to the payment or collection of money to or from the Council, including housing benefit / council tax support, council tax, business rates and housing rents.
- The key systems are fundamental to internal financial control and management, as they are the systems by which the Council's income is received and disbursed. The Council needs to be assured that a high standard of probity are present in these systems. During 2024/25 Internal Audit's review of the key financial systems are being designed to focus on the areas of highest risk to the Authority.

Counter Fraud

- The establishment and maintenance of effective controls in the Council's key financial systems and strategic systems is a major strand in our organisation's counter fraud arrangements. Such controls proactively prevent the opportunity for many types of fraud, and the evaluation of the existence and application of suitable controls within these systems is therefore given due prominence in Internal Audit's planned workload.
- The management of fraud and corruption is the responsibility of management, and the Head of Internal Audit & Risk Management is required to make arrangements to be notified of all suspected or detected fraud, corruption or impropriety, to inform his annual Internal Audit opinion and the risk-based Plan. Although Internal Audit does not have the responsibility for the prevention or detection of fraud and corruption, its work assists management to fulfil their responsibilities through the strengthening of internal control.

- All members and officers of the Council are responsible for the prevention of fraud and corruption. Internal Audit assist in this by undertaking pro-active anti-fraud work during the year, linked to work on the key financial systems, the content of which is determined through an ongoing risk assessment process. Following the transfer of the Council's Corporate Fraud team into the Internal Audit and Risk Management Service in December 2022 there has been a number of opportunities for liaison and joint working between the Internal Audit and Corporate Fraud Teams and these arrangements continue to evolve and develop.
- Internal Audit acts as a key contact for the Cabinet Office in respect of the National Fraud Initiative (NFI). The NFI is the Cabinet Office's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998.

Reprogrammed Work

- Professional auditing guidance states that internal audit plans should be flexible to accommodate work not originally included in the plan which has arisen as a result of external and internal factors. This is a normal part of the audit planning and management process and reflects that audits are undertaken on a continuous rolling programme, according to the optimum timing for each piece of work.

8 Annual Audit Plan 2024/25

Advice & Programme Assurance

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|-----------------------------------|--|--|----------|-------------------------------|
| Advice, Contingencies & Assurance | <ul style="list-style-type: none"> • Advice & Guidance • Contingencies & Work Requests • Fraud & Special Investigations | Responding to ad-hoc queries and requests for advice; responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced. | N / A | All Corporate Plan priorities |
| Programme Assurance | New Systems / Methods of Service Delivery | <p>Internal Audit may be asked to add value by providing assurance on aspects of the approach and work undertaken and assessing the robustness of arrangements for benefits realisation. The systems, programmes and new initiatives to be supported are continually reviewed and assessed. Consultation on the Audit Plan identified the following areas that may benefit from Internal Audit's support:</p> <ul style="list-style-type: none"> • Data Quality underpinning the Performance Management Framework • BEST – Benefit Realisation management processes • Corporate Health and Safety Arrangements • People Strategy and Job Evaluation Process • Strategic Community Safety Governance Arrangements • Social Housing (Regulations) Act 2023 – Governance Arrangements • Northumberland Fire and Rescue Service – Continuous Improvement Plan and Performance Assurance Framework | N / A | All Corporate Plan priorities |

Audit and Assurance – Corporate and Cross Cutting

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|-----------------------------|---------------------------------------|---|----------|-------------------------------|
| Corporate and Cross Cutting | Follow up on Recommendations | Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process within the Internal Audit and Risk Management Service to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner. | N / A | All Corporate Plan priorities |
| | Pre-Submission Review of Grant Claims | There is an increasing number of funding streams that require an Internal Audit review prior to final claim submission. Internal Audit will undertake the necessary assurance checks as these grant submissions become due. | N / A | 'Achieving Value for Money' |
| | Annual Opinion | An annual opinion on the 'adequacy and effectiveness of the framework of governance, risk management and control' will be drafted and presented to the Chief Executive, Executive Team and Audit Committee, outlining the audit work performed during the year and summarising key themes. This will be timed to support production of the Council's Annual Governance Statement. | N / A | All Corporate Plan priorities |

Audit and Assurance – Corporate and Cross Cutting (continued)

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|-----------------------------|--|--|----------|-------------------------------|
| Corporate and Cross Cutting | Governance and Value for Money Reviews | <p>To review whether appropriate internal controls exist within a sample of significant business arrangements within Northumberland County Council. Where it is possible to assess the economy, efficiency and effectiveness of specific aspects of these arrangements, this will also be undertaken. Areas proposed to be reviewed under this heading in 2024/25 include:</p> <ul style="list-style-type: none"> • Adults, Ageing and Wellbeing: <ul style="list-style-type: none"> ◦ Deputyship Arrangements ◦ Joint Equipment Loan Service ◦ Part III Payments • Chief Executive's Office: <ul style="list-style-type: none"> ◦ Policy Framework ◦ Election Governance ◦ Public Protection ◦ Advance Northumberland – Revised Governance Arrangements ◦ Civil Contingency and Business Continuity – Follow-up review ◦ Recruitment and Retention Processes • Children, Young People & Education: <ul style="list-style-type: none"> ◦ Quality of Practice Framework ◦ Special Guardianship Orders / Section 17 Payments • Place & Regeneration: <ul style="list-style-type: none"> ◦ Multiple Large Scale Capital Schemes – Follow-up review ◦ Planning – Follow-up review ◦ Fleet Management ◦ Acquisition / Disposal of Land & Buildings • Public Health, Inequalities & Stronger Communities: <ul style="list-style-type: none"> ◦ Complaints processes ◦ Northumberland Communities Together Grant Administration ◦ Pharmacy Contracts and Outcomes • Transformation & Resources: <ul style="list-style-type: none"> ◦ Contract Management Arrangements – Follow-up review | High | All Corporate Plan priorities |

Audit and Assurance – Service Area Specific (Corporate Resources)

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|----------------------|--------------------------------------|---|----------|-----------------------------|
| Information Services | Systems and Governance Reviews | <p>To determine whether the systems and procedures in operation are functioning satisfactorily and are in accordance with legislation and Council policy. In particular, to determine whether:</p> <ul style="list-style-type: none"> • The systems and procedures comply with good practice and all legal, statutory and regulatory body requirements, and meet business needs; • All transactions are completely and accurately recorded and traceable; • Access to information and facilities is controlled and restricted to authorised users according to their needs; • The potential for fraud and error are minimised; • The systems and procedures are effectively administered and supported; • All staff have been correctly trained to the level that will allow them to properly fulfil their duties; • The systems are available to serve the needs of the business; • The systems and procedures provide complete and accurate management information; and • Upgrades and changes to systems and procedures are properly resourced and managed to meet clearly stated and agreed business objectives. <p>For 2024/25, specific ICT audit coverage will be prioritised to cover Cyber Security and other previously issued Limited Assurance audit opinions, including Data Storage, Retrieval and Access Rights and Business Continuity and Disaster Recovery</p> | High | 'Achieving Value for Money' |
| | Accreditation pre-submission reviews | <p>To undertake independent review of the Authority's compliance with recognised standards prior to submission for accreditation or re-accreditation:</p> <ul style="list-style-type: none"> • Payment Card Industry Data Security Standard (PCIDSS) • Public Service Network (PSN) Compliance | | |

Audit and Assurance – Service Area Specific

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|----------------------|--|---|----------|-----------------------------|
| Education and Skills | Schools' Financial Value Standard (SFVS) | To co-ordinate schools in the completion of their mandatory returns, and provide assurance to the Section 151 Officer relating to their annual report to the Department for Education. | High | 'Achieving Value for Money' |
| | Schools & Other Educational Establishments | To assess, on a thematic basis, the application of controls associated with the discharge of responsibilities relating to delegated school budgets, within a sample of the County's schools on a risk assessed basis. | High | 'Achieving Value for Money' |
| | Schools & Other Educational Establishments | To provide advice and support on issues of probity and internal control, on school and other educational establishment financial governance related issues, as requested. This may include, for example: <ul style="list-style-type: none"> • Support in verifying aspects of financial arrangements in the case of any planned school closures or transfer to academy status; • Support in verifying aspects of financial arrangements in the case of any planned transfer of elements of service provision; or • Support to schools within the Schools Intervention and Support Programme. | High | 'Achieving Value for Money' |

Counter Fraud and Key Financial Systems

| Heading | Auditable Area | Description / Audit Objectives | Priority | Link to Corporate Plan |
|-----------------------|--|--|----------|--|
| Counter Fraud | Pro-active anti-fraud work | To undertake pro-active anti-fraud and corruption work (including participation in the Cabinet Office's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation. | N / A | 'Achieving Value for Money' |
| Key Financial Systems | Business Rates; Council Tax; Payroll; Creditor Payments; Cash and Bank; Debt and Income Management; Rent Assessment and Collection; Housing and Council Tax Benefit | The key financial systems encompass the main ways in which the Council either pays money out (Creditor Payments, Payroll, Housing & Council Tax Benefit) or receives monies in (Business Rates, Council Tax, Debt and Income Management, Rent Assessment and Collection). Each of these areas will be given some audit coverage in each financial year, with emphasis dictated by the organisation's risk profile determined on an annual basis. | High | 'Achieving Value for Money' All Corporate Plan priorities |

Internal Audit & Risk Management Service Strategic Statement 2024/25

The Accounts and Audit Regulations 2015 provide that each Council shall 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.

The regulations further state that any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit –

- (a) Make available such documents and records; and
- (b) Supply such information and explanations;

as are considered necessary by those conducting the internal audit. In this regulation, it is clear that “documents and records” includes information recorded in an electronic form.

In Northumberland County Council, this requirement is discharged by the Internal Audit Service. Internal Audit is *“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.*

The overall objective of Internal Audit is to provide a comprehensive, professional assurance service to the Council, which adds value to the organisation, rigorously challenges and assesses the adequacy of the control environment and assists management in achieving organisational goals. Internal Audit seeks to undertake its work in compliance with all professional auditing standards (Public Sector Internal Audit Standards, together with an associated Local Government Application Note). Internal Audit’s Audit Charter will be reviewed annually and updated accordingly. In doing so, Internal Audit will identify and address local and national issues and risks. Corporate Plan priorities are clearly identified alongside each auditable area prioritised for coverage, and the specific objectives to be included in scope, in the Strategic Audit Plan.

Assurance for the Annual Governance Statement will be obtained from a number of information sources within the Council, the Internal Audit Service being a major component of such assurance. The Head of Internal Audit & Risk Management will use the outcomes and findings of Internal Audit work undertaken throughout the year to prepare an annual Internal Audit report, detailing his opinion on the Council’s framework of governance, risk management and control. This opinion will be presented to the Council’s Audit Committee and timed to support preparation of the Annual Governance Statement, in order that the outcomes of the work of the Internal Audit Service can inform the Annual Governance Statement.

² Public Sector Internal Audit Standards, CIPFA / IIA, revised April 2017

The Internal Audit Service uses a risk-based approach in preparing the Strategic Audit Plan, utilising information available from the Council's risk management processes and Internal Audit's own assessment of risk. This assessment of risk involves identifying significant local and national issues and risks for further assessment, in order that Internal Audit resources are deployed in areas of greatest benefit to the Council.

An assessment of the resources necessary to deliver this strategy is kept under constant review.



Internal Audit Service

Internal Audit Charter

March 2024

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1 Introduction and Purpose of the Internal Audit Charter

- 1.1 The Accounts and Audit Regulations 2015 require every local authority 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 or guidance.”
- 1.2 The Public Sector Internal Audit Standards (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. The PSIAS require that each local authority has an internal audit charter in place to define the purpose, authority and responsibility of Internal Audit.
- 1.3 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.
- 1.4 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.
- 1.5 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 Definitions

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 The Local Government Application Note, which accompanies the PSIAS, adds that “*Internal Audit provides an independent and objective opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting*

services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.”

The “Board” and “Senior Management”

- 2.3 The PSIAS require that the Internal Audit Charter defines the “senior management” and the “board” of the organisation. At Northumberland County Council, the Audit Committee fulfils the role of the “board”. “Senior Management” refers to the County Council’s Executive Management Team.

Chief Audit Executive

- 2.4 The PSIAS 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, the Head of Internal Audit and Risk Management fulfils the role of ‘Chief Audit Executive’.

3 Mission of Internal Audit

Internal Audit

- 3.1 The Public Sector Internal Audit Standards define the mission of internal audit as *‘to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’*
- 3.2 To achieve this mission, the PSIAS sets out the Core Principles required:
- Demonstrates integrity.
 - Demonstrates competence and due professional care.
 - Is objective and free from undue influence (independent).
 - Aligns with the strategies, objectives, and risks of the organisation.
 - Is appropriately positioned and adequately resourced.
 - Demonstrates quality and continuous improvement.
 - Communicates effectively.
 - Provides risk-based assurance.
 - Is insightful, proactive, and future-focused.
 - Promotes organisational improvement.

4 Status

- 4.1 The authority of Internal Audit is derived directly from its statutory responsibilities, in the Accounts and Audit Regulations 2015, and the County Council’s Constitution and Finance Procedure Rules.
- 4.2 The work of Internal Audit embraces the organisation’s whole framework of governance, risk management and control, 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.
- 4.3 In addition to Northumberland County Council, the Internal Audit Service also provides services to Advance Northumberland Group of Companies and to Northumberland Inshore Fisheries and Conservation Authority.
- ## 5 Reporting Lines 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 Head of Internal Audit and Risk Management 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 line managed by the Executive Director of Transformation and Resources.
- 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, Executive Director of Transformation and Resources (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 Head of Internal Audit and Risk Management 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 Responsibilities

- 6.1 The Head of Internal Audit and Risk Management is required to provide the Council with an independent and objective opinion on the overall framework of governance, risk management and control on an annual basis.
- 6.2 In order to deliver an annual opinion, Internal Audit prepares a Strategic Audit Plan, setting out the scope of work to be undertaken within the organisation each year. This detailed plan is prepared in consultation with the Chief Executive, s151 Officer, all Executive Directors, Service Directors, Heads of Service, Audit Committee Members, Cabinet Portfolio holder and the external auditor, and is approved by the Audit Committee.
- 6.3 Internal Audit's plan of work must be based on an assessment of risk and Internal Audit must have an unrestricted range of coverage of the Council's operations. The Head of Internal Audit and Risk Management will have the freedom to determine the priorities of Internal Audit, following consultation with the senior management of the organisation.
- 6.4 The Strategic Audit Plan will provide a broad objective for each audit assignment, together with the respective priorities and resources required. 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.
- 6.5 The scope of Internal Audit's work will cover all aspects of the County Council's activities and encompass both financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other organisations where assurance may be sought in accordance with agreed protocols and access rights.
- 6.6 Internal Audit's services will be conducted and provided in accordance with legislation (including the Accounts and Audit Regulations 2015), and related professional regulations including the Public Sector Internal Audit Standards.
- 6.7 At the end of every Internal Audit assignment, a draft audit report will be issued to the relevant senior officer(s) as 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.
- 6.8 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.

- 6.9 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 on Internal Audit's work and the implementation of recommendations will be reported to the Executive Management Team and Audit Committee on a periodic basis.

7 Fraud and Corruption

- 7.1 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. 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.
- 7.2 The County Council's Anti-Fraud, Bribery and Corruption Policy requires 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. This is to ensure that the Head of Internal Audit and Risk Management can consider the adequacy of relevant controls as part of the annual opinion on the overall adequacy of the effectiveness of the framework of governance, risk management and control.

8 Access

- 8.1 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:
- make available such documents and records (including those in an electronic form); and
 - 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.
- 8.2 These rights of access are also reiterated within the County Council's Finance and Contract Rules. These include the provision that Internal Audit has the authority to:
- access the County Council's premises at all reasonable times;
 - access all assets, records, documents, correspondence and control systems relating to the matter under examination;

- require and receive from employees, Members or other persons, assistance or explanations, written or oral, concerning any matter under examination;
- require any employee of the Council to account for cash, stores or any other council asset under his or her control;
- access financial records belonging to third parties, such as contractors, organisations in receipt of grant and partnering arrangements where the Council has lead responsibility, when required; and
- directly access the Chief Executive, the Executive, and Audit Committee.

- 8.3 In turn, the Finance and Contract Rules place a responsibility on all Executive Directors to:
- ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
 - ensure that auditors are provided with any information and explanations that they seek in the course of their work;
 - consider and respond promptly to recommendations in audit reports and to clearly indicate the action they intend to take, including (where appropriate) reasons why a recommendation has not been accepted or why the proposed action cannot be implemented; and
 - ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

9 Limitations of Internal Audit Responsibilities

- 9.1 In the discharge of the responsibilities of Internal Audit, as detailed above, it should be noted that the Internal Audit Service is not responsible for:
- Implementing controls / controlling risks of the Council.
 - Establishing / maintaining systems of internal control.
 - Determining operational policies or procedures.
 - Identifying all instances of fraud / poor governance.

10 Resources

- 10.1 The Head of Internal Audit will hold a relevant professional qualification and have suitable experience of audit and management. The Head of Internal Audit and Risk Management will also ensure that the Internal Audit Service is appropriately resourced in terms of number, grades, qualifications and experience.
- 10.2 The Strategic Audit plan, once set, will be compared to resource availability and where there is any 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.

- 10.3 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.

11 Consulting Activity

- 11.1 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.”
- 11.2 The Internal 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 additional consulting services identified during the course of the year will be approved by the Head of Internal Audit & Risk Management (Chief Internal Auditor), where resources permit without impacting on the ability to provide the planned annual opinion.
- 11.3 Should significant unplanned consultancy work be identified, approval will be sought from Audit Committee prior to work taking place. 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.
- 11.4 Where internal audit work is proposed in area / Service which has previously received consulting services, resourcing is carefully managed, in order to ensure that independence and objectivity is not impaired.

Internal Audit Quality Improvement and Assurance Programme – Action Plan

Actions from Self-Assessment – January 2023

| Standard | Summary from self-assessment reported to Audit Committee in January 2023 | Update as at March 2024 | Target Date for Implementation |
|--|---|--|--------------------------------|
| Attribute Standard 1000 – Purpose, Authority and Responsibility | 20 questions, relating to purpose, authority and responsibility, and the contents of the internal audit charter. 19 questions self-assessed as 'Conforms'. 1 question self-assessed as 'Partial' with an action identified to make details of assurance services provided to external parties explicit within the Internal Audit Charter when next revised. | Revised Audit Charter drafted, incorporating required wording in addition to necessary amendments following restructure, pending conclusion of EQA. Updated Audit Charter agreed with EMT and presented to Audit Committee, March 2024. | Not Applicable - Implemented |
| Attribute Standard 1200 – Proficiency and Due Professional Care | 21 questions, relating to proficiency, due professional care, skills, qualifications, and capability. All 21 questions self-assessed as 'Conforms'. However, an action has been identified relating to plans to formalise the use of computer-assisted audit techniques and automating audit processes where possible. | We are finalising a pilot of utilising a different approach using data analytical tools as part of our work. We also have a team member undertaking training as part of the Council's Data Academy. Following conclusion of pilot work and the training programme, we will look to implement this where possible during 2024/25. | 31 March 2025 |
| Attribute Standard 1300 – Quality Assurance and Improvement Programme (QAIP) | 33 questions, relating to the Quality Assurance and Improvement Programme, internal assessments, external assessments, reporting on the QAIP, stating that the service conforms with PSIAS requirements, and disclosure of non-conformance. 23 questions self-assessed as 'Conforms'. 3 questions not applicable. 7 questions self-assessed as 'Partial' with actions | A comprehensive set of service targets has been drafted to add to those targets already in use. Targets have been built into formalised monitoring within the service and incorporated into the requirements of the QAIP agreed in January 2023. | Not Applicable - Implemented |

| Standard | Summary from self-assessment reported to Audit Committee in January 2023 | Update as at March 2024 | Target Date for Implementation |
|---|--|--|--------------------------------|
| | identified relating to developing and agreeing a comprehensive set of service targets in addition to those used, using performance monitoring against targets to contribute to quality improvement more comprehensively, and ensuring that the results of the QAIP (and particularly internal assessments) and progress against improvement plans are reported to senior management and Audit Committee in accordance with the requirements of the QAIP developed. | Required reporting commenced with the 2022/23 Annual Opinion Report, reported to Audit Committee in July 2023. All required reporting implemented, including providing Executive Management Team with suitable updates as part of regular Internal Audit updates. | |
| Performance Standard 2100 – Nature of Work | 29 questions, relating to governance, risk management, and control. 28 questions self-assessed as 'Conforms'. 1 question self-assessed as 'Partial' with actions identified to codify internal audit's activity relating to evaluation of 'the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities'. | Initial work on 'ethical governance', reflecting the initial impact of the Independent Governance Review, completed. Ongoing review of ethics-related objectives, programmes and activities now built into Internal Audit's planning processes. | Not Applicable - Implemented |
| Performance Standard 2200 – Engagement Planning | 51 questions, relating to engagement planning, engagement objectives, engagement scope, engagement resource allocation and engagement work programme. 44 questions self-assessed as 'Conforms'. 4 questions self-assessed as not applicable. 3 questions self-assessed as 'Partial' with actions identified to formalise arrangements within audit assignments to 'evaluate and report on whether management have established adequate criteria | Corporate Performance Management was scheduled to be reviewed during 2022/23, however following actions agreed in response to the Independent Governance Review in June 2022 and the intention to update the Council's Corporate Plan, this work was included within Internal Audit's plan of work for 2023/24 and is currently in progress. Whilst performance management is considered within individual audit assignments, we are | 30 June 2024 |

| Standard | Summary from self-assessment reported to Audit Committee in January 2023 | Update as at March 2024 | Target Date for Implementation |
|---|--|--|---------------------------------------|
| | to evaluate and determine whether organisational objectives and goals have been accomplished'. | continually exploring how we make this aspect of our work and reporting more formalised and explicit as appropriate. | |
| Performance Standard 2400 – Communicating Results | 47 questions, relating to criteria for communicating, quality of communications, errors and omissions, use of 'kite mark' statements by the service, engagement disclosure of non-conformance, disseminating results, and overall opinion. 41 questions self-assessed as 'Conforms'. 5 questions not applicable. 1 question self-assessed as 'Not conforming', with an action identified relating to including details of progress against improvement plans resulting from the QAIP within the annual overall opinion report. | This was implemented as part of the 2022/23 Annual Opinion Report reported to Audit Committee in July 2023. All future reporting to Audit Committee now adapted accordingly. | Not Applicable - Implemented |
| Performance Standard 2500 – Monitoring Progress | 4 questions. 3 questions self-assessed as 'Conforms'. 1 question self-assessed as 'Partial' with actions identified relating to seeking client feedback from consulting engagements. Action has already been taken but is not yet embedded within the service. | Implemented. | Not Applicable - Implemented |

External Quality Assessment – December 2023

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|--|-----------------|---|--|---------------------------------------|
| We are aware the HIA&RM has started to review the service's audit universe to ensure that it is comprehensive and takes into consideration the local, national and emerging issues facing local authorities, however, we recommend that this exercise is accelerated to ensure the service has a comprehensive audit universe in place, that is linked to the relevant strategic and operational risks in time for the 2024/25 audit planning cycle. Such an audit universe could also then be used to underpin the draft assurance map. | Medium | Agreed. This work was in progress and we aim to have this in place as part of audit planning, from February 2024. | 'Audit Universe' in place and utilised as part of audit planning and engagement for 2024/25. | Not Applicable - Implemented |
| Although Advance Northumberland is a separate legal entity, it does not have its own audit charter but instead relies on one for the Council. To conform with the requirements of the standards which require all of the service's clients to have their own audit charter, we recommend that a separate audit charter is put in place for Advance Northumberland. | Medium | Agreed. An Internal Audit Charter specifically for Advance Northumberland is being drafted. | The Internal Audit Charter for the County Council has been updated and presented to Audit Committee for approval in March 2024. Following agreement, the Internal Audit Charter specifically for Advance Northumberland will be finalised for agreement. | 30 June 2024 |

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|---|-----------------|--|--|---------------------------------------|
| The service provides internal audit services to Advance Northumberland, a separate external legal entity, albeit wholly owned by the Council, however, the service does not have any form of contract or service level agreement in place with Advance Northumberland, unlike the other Council functions that provide services to Advance Northumberland. To enhance the transparency around the relationship between internal audit and Advance Northumberland, we recommend that a separate service level agreement is put in place. | Medium | Agreed. A separate service level agreement for services provided to Advance Northumberland will be drafted for consideration and approval by Advance Northumberland. | A draft Service Level Agreement for services provided to Advance Northumberland has been shared with Advance Northumberland for consideration and agreement. | 30 April 2024 |
| The Head of Internal Audit and Risk Management has responsibility for the Council's risk management function, and this is set out clearly in the audit charter, along with the mechanism that will be followed when this function is being audited, to ensure the independence and objectivity of the Head of Internal Audit and Risk Management, and the internal audit service as a whole, are maintained. To enhance transparency and ensure these arrangements remain fit for purpose we recommend that the Audit Committee regularly reviews and challenges the effectiveness of these arrangements. | Low | Agreed. Audit Committee regularly review the Internal Audit Charter. Following the EQA, an updated Internal Audit Charter is being drafted and will be presented to Audit Committee for approval. The Internal Audit Charter will continue to be subject to regular review by Audit Committee. | Updated Internal Audit Charter now drafted and presented to Audit Committee for approval in March 2024. The Charter will continue to regularly be updated for review by Audit Committee. | Not Applicable - Implemented |
| We have also observed from the draft assurance map, that the HIA&RM does not appear to be intending to place much reliance on other potential sources of assurance. Whilst the standards only recommend that | Low | Agreed. This has been considered further during 2023/24. | This has been considered during 2023/24, with some work undertaken | 31 May 2024 |

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|--|-----------------|--|--|---------------------------------------|
| the HIA&RM needs to consider other potential sources of assurance, we feel there is a risk that the service may be missing an opportunity here as there are many external and internal sources of assurance that could provide a degree of assurance, albeit limited, and feed into the HIA&RM's annual report and opinion. | | | and planned to help enable additional assurance to be obtained. This will be reflected in the annual opinion report. | |
| The Head of Internal Audit and Risk Management should explore all options for raising the profile of internal audit to demonstrate to all officers and members that they are an independent, objective, insightful and proactive assurance and consulting service that adds value to its clients. | Advisory | Agreed. This will be undertaken, in conjunction with the following two actions, during 2024. | This will be implemented as intended, in conjunction with the following two actions, during 2024. | 31 December 2024 |
| The Council should undertake a self-assessment of the Head of Internal Audit and Risk Management's compliance with the five principles from the CIPFA guidance on the "Role of the Head of Internal Audit". We recommend undertaking such a self-assessment as this will not only help with raising the profile of the Head of Internal Audit and Risk Management but may identify aspects of the principles that need enhancing. These should be included in the service's quality assurance and improvement programme (QAIP). The self-assessment should be overseen by the Executive Director for Transformation and Resources. | Advisory | Agreed. A self-assessment will be undertaken during 2024. | This will be implemented as intended during 2024. | 31 December 2024 |

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|---|-----------------|--|---|---------------------------------------|
| The Head of Internal Audit and Risk Management, together with the Executive Director for Transformation and Resources, should consider the contents of the CIPFA publication “Internal Audit: Untapped Potential” as this not only provides a wealth of useful information, but also makes recommendations around how local authorities can make best use of their internal audit services. Appendix B, entitled “Maximising the Impact of Internal Audit” is particularly significant to raising the service’s profile and can be developed into a self-assessment of the service. | Advisory | Agreed. An evaluation of the publication will be undertaken during 2024. | This will be implemented as intended during 2024. | 31 December 2024 |
| While we acknowledge that there is a cost attached to obtaining an up-to-date version of IDEA, we believe the HIA&RM should consider this as the functionality within the latest version of IDEA is significantly greater than the previous versions. This would enable the service to enhance their data analytics capabilities, such as undertaking data matching and data mining exercises, developing the continuous auditing / monitoring of key systems such as the fundamental financial systems, and providing enhanced assurance by testing the whole data population when carrying out audits rather than sample testing and extrapolating the results to the whole population. | Advisory | Agreed. This will be considered. | Work to consider the costs and benefits of this action has commenced and will be concluded by September 2024. | 30 September 2024 |
| Internal audit should consider using the local authority data held in the CIPFA statistics and ‘Nearest Neighbour Model’ applications, which the Council should already be able to access, and/or the data held by the Local Government Association in their LG Inform | Advisory | Agreed. | Initial review of available data undertaken. This will be considered when preparing the | 31 March 2025 |

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|---|-----------------|---|---|---------------------------------------|
| application. These are adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as they can highlight areas where there may be scope to add value to the Council. | | | scope of audit assignments during 2024/25. | |
| The HIA&RM has developed a comprehensive quality assurance and improvement programme that is designed to ensure engagements are performed to a high standard. This was reported to and agreed by the Audit Committee in January 2023. However, we have observed that this document does not follow best practice and include an action plan setting out the improvements that the service needs to make and a time frame for achieving them. We suggest that the quality assurance and improvement plan include an action plan and progress on delivering this is reported regularly to the Audit Committee. | Advisory | Agreed. Progress on improvement actions has been reported to Executive Management Team and Audit Committee. This will be formalised into an action plan format and used in future reporting to Executive Management Team and Audit Committee. | Identified actions from self-assessment exercise and our external quality assessment have been combined into this action plan format. This format will be utilised for all reporting in future. | Not Applicable - Implemented |
| In addition, there are opportunities to enhance the way the Council obtains assurance by the service considering working with the service directorates to undertake some joint reviews of specific functions. For example, it is common for both adults and children's social care functions to have comprehensive quality assurance and improvement processes in place that focus on the assessment and delivery of the individual care packages. Whilst internal audit is not qualified or skilled to undertake this type of review, they are able to review the processes that feed into and support the care assessments. Undertaking joint reviews with the social | Advisory | Agreed. This has been considered further and implemented during 2023/24. | This has been considered during 2023/24, with some work undertaken and planned. This will form part of Internal Audit's planning process in future. | Not Applicable - Implemented |

| Issues for management action | Priority | Original Management Response | Update as at March 2024 | Target Date for Implementation |
|--|-----------------|--|--|---------------------------------------|
| care functions can provide a more holistic view of those services and has the potential to add greater value to their operations and the Council as a whole. We have included actions relating to these observations in section 9 of the report. | | | | |
| To ensure that the Audit Committee are kept abreast of progress and any issues affecting delivery of the plan or changed priorities in a timely manner, most internal audit services tend to update committees more frequently with the norm being three or four times a year. We therefore suggested consideration is given to increasing the number of times progress is reported to the Audit Committee. | Advisory | Agreed. This will be considered as part of formulating the Audit Committee Work Programme for 2024/25. | Updated reporting proposed as part of Audit Committee's programme of work for 2024/25, for agreement by Audit Committee in March 2024. | Not Applicable - Implemented |
| To enhance the flow and readability of the current audit charter, we suggest that the HIA&RM compares it to those produced by other local authorities to identify a style and format that is easier for a lay person to read and understand. | Advisory | Agreed. Revised Internal Audit Charter is being drafted. | Updated Audit Charter agreed with EMT and presented to Audit Committee, March 2024. | Not Applicable - Implemented |
| Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the standards arising from the consultation may affect the service's future conformance to the standards. It is, therefore, suggested that the Audit Manager keeps a watching brief on the developments to the standards and how this may impact the service in the medium term. | Advisory | Noted. | We are aware of the consultation and will ensure any changes to standards are reported and met by the service in the usual way. | Not Applicable |

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Agenda Item 16

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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