

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At the meeting of the **Audit Committee** held at Council Chamber - County Hall on Wednesday, 27 September 2023 at 10.15 a.m.

PRESENT

S Watson (Chair)

COUNCILLORS

N Oliver
P Jackson
A Dale
J Reid

T Cessford
A Wallace
L Grimshaw

OFFICERS IN ATTENDANCE

Candlish, T.
Curry, A.
Gerrard, S.

Hall, S.
Hartwell, A.

Hodgson, A.
McDonald, K.

Todd, A.
Willis, J.

Group Assurance Manager
Head of Commissioning
Director of Law and Corporate
Governance (MO)
Group Assurance Manager
Senior Manager - Performance and
Systems Support
Corporate Fraud Manager
Head of Internal Audit and Risk
Management
Democratic Services Officer
Executive Director of
Transformation and Resources &
S151 Officer

ALSO PRESENT

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Dafter, J.
Earl, R.

Wearmouth, R.

Mazars (External Audit)
Advance Northumberland Chief
Operating Officer (observing)
Deputy Leader of the County
Council/Cabinet Member for
Corporate Services

ss was present.

19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor D. Towns and Independent

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Member P. Topping.

20 **MINUTES**

RESOLVED that the minutes of the meeting of the Audit Committee held on 26 July 2023, as circulated, be confirmed as a true record and signed by the Chair.

21 **DISCLOSURE OF MEMBERS' INTERESTS**

Councillor Reid declared an interest in item 12 on the agenda (Group Audit Committee: Advance Northumberland Internal Audit Update) as Chair of Advance Northumberland.

22 **MONITORING REPORT / ACTION LOG 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 had been filed with the signed minutes).

Regarding Action 1, J. Willis, Executive Director for Resources and Transformation (S151) advised that an informal update on progress made was due to take place with Group Leaders. Following this a formal report would be drafted for the November meeting of Audit Committee.

Councillor Wallace questioned why members of the Audit Committee would have to wait until November to receive the update. He asked if Audit Committee could receive the update via email to stop any further delays. The November meeting could then discuss the update in public session. In response J. Willis commented that members had requested a formal report be produced for Audit Committee which was what she had been working towards. An email could be sent to members, but this was not asked for originally. She reassured members that progress was being made with the action plan and many of the recommendations put forward by the Challenge Board had already been completed. The BEST programme had incorporated some of the improvements identified and the relevant overview and scrutiny committee was due to receive a report on this soon. J. Willis stated that an all member briefing could also be arranged if deemed appropriate by councillors.

Councillor Grimshaw asked for the update on progress being made following the Caller Report include the work taking place with staff and councillors, particularly around ensuring female voices in the workplace were being heard. J. Willis confirmed that this would form part of the update.

The Deputy Leader explained that the progress against the action plan and recommendations of the Challenge Board would be reported in various places. Aspects would be reported to Audit, others to the Staff and Appointments Committee and others to the Corporate Services and Economic Growth Overview

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and Scrutiny Committee. However, Group Leaders would be given a briefing in the next few days on progress made which they would hopefully share and discuss within their individual groups.

Members agreed to receive a report regarding Action 1 at their November meeting of Audit Committee.

Regarding Action 2, Councillor Dale commented on recruitment and sickness issues across services. She stated that there needed to be a whole system approach. She believed the transformation programme needed to be measured against recruitment and sickness levels to ensure council services could continue to be delivered effectively and efficiently.

Councillor Jackson commented that he felt that the item should not be removed from the action list as Audit Committee needed to continue to examine the business case to ensure the funding put aside in the Council's budget was value for money.

J. Willis queried what additional information the Audit Committee would like to see as the Strategic Business Case had been scrutinised and approved by Cabinet. Also, the BEST update was to be considered by the relevant overview and scrutiny committee along with the annual workforce update. In response Councillor Jackson stated that the value for money aspect was what he wanted to see at a future meeting.

Councillor Oliver stated he would welcome an update report on the Strategic Transformation Programme Business Case.

Councillor Dale felt that a holistic report was needed which included issues on recruitment, value for money and delivery of services to ensure the business case was helping to transform the business of the Council.

Members agreed that Action 2 remain on the list but be reworded to 'receive an update and discuss further'.

Councillor Jackson commented that there were a couple of items that he had expected to see on the action list that had been omitted following the last meeting of Audit Committee. He asked for a detailed report on dismissals of statutory officers following the investigation into exit payments as discussed at the last meeting of Audit Committee be added to the action list. He stated that there was legislation regarding dismissals and felt it was important Audit Committee be advised of these regulations to understand how the Council had acted. His view was that there has been quite a lot of illegal activity in the past which needed scrutinised by Audit Committee. He also asked for Councillor Dale's request from the last meeting regarding more detail on exit interviews be placed on the action list.

The Monitoring Officer advised caution with some of the language being used. He stated that the term 'illegal' had not been used within the Review of Exit Payments report prepared for the last meeting of Audit Committee nor in his advice given.

Councillor Dale stated that the exit interviews could be included within a workforce report as it was a general area to investigate, not just when chief officers left the authority. She felt that with regard to exit payments the Council needed to look forward not backwards.

Councillor Grimshaw hoped that the Council had learnt lessons following the Caller report and was moving forward. She felt that Audit Committee could not keep looking at the past.

The Chair agreed that repeating past issues would not be beneficial. However, if members felt there were more questions that needed to be answered then they should have the opportunity to ask them.

Councillor Cessford questioned the role of Audit Committee if they could not look at past issues. He stated that the committee needed to audit what had happened in the past and without thorough answers they could not fulfil their role.

Councillor Oliver stated he believed there needed to be accountability. Lessons had been learnt but not all, particularly around where processes had failed. The Exit Payment Report considered at the last Audit Committee stated there had been over £1 million in unlawful payments. He stated that there were laws regarding the misuse of public funds. If someone had broken those laws, then he felt they were illegal. He suggested a short paper on whether the Council should make a police referral and a true distinction on the definition of unlawful and illegal. He spoke about other local authorities who had made referrals to the police for lesser issues. He felt that by referring the issue to the police they could investigate fully and get to the bottom of the issue. He thanked officers for the significant reports already produced on this issue which showed absolute transparency, but they had stopped short of accountability.

J. Willis reiterated the comments she had made at the last meeting of Audit Committee. She stated there was currently no evidence to suggest any illegal activity had taken place regarding the exit payments identified within her report brought to the last meeting. However, she stated that she was continuing to look into the issue. Furthermore, she updated members by advising them that Internal Audit was currently carrying out extra investigatory work and further legal advice was being sought. Once she had fully considered these additional matters, she would decide whether a referral to Northumbria Police was needed. She stated that if or when sufficient evidence came back to make a referral, she would, but it was not something that she would do lightly.

Councillor Dale commented on the errors within the Constitution during the time of the unlawful exit payments and stated that she was happy to share the files she had kept from that era of her concerns and evidence gathered.

Members agreed to add the following requests to the action list; report on dismissals of past statutory officers, further report on exit payments and a workforce report including information on exit interviews.

Action 3. It was noted that the next six-monthly report had been scheduled for the January 2024 meeting.

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Action 4 to remain on the action list until the discussion between Councillor Grimshaw and J. Willis had taken place.

Action 5 could be removed from the list as the discussion between J. Willis and Councillor Dale had taken place.

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

23 **JOINT REPORT OF THE CABINET MEMBERS FOR INSPIRING YOUNG PEOPLE AND CARING FOR ADULTS**

Review of External Inspection Reports – Adult Social Care and Children’s Services

Members were informed of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. The report covered the period from 1 January 2023 to 30 June 2023. (A copy of the report has been filed with the signed minutes).

A. Hartwell, Senior Manager, Performance and Systems Support and A. Curry, Senior Manager, Commissioning presented the overall positive report. Since the report was written there had been some updates. Of the Northumberland-based Adults Social Care providers there were no longer any judged to be inadequate. Inspections of children’s residential homes continued to be judged as good or better, with Kyo secure unit judged as outstanding on all criteria when it was inspected in the autumn. Phoenix House children’s home was currently being inspected. The Adult Learning Service was still awaiting its inspection.

Councillor Dale asked if data could be produced which gave a breakdown in inspection judgements between academies and maintained schools. It was suggested this information be provided following the meeting and could be included in future reports.

Councillor Grimshaw commented on the recruitment and retention of staff in social care services and asked if this had resulted in any care homes having to close because of these challenges. A. Curry confirmed that since the COVID pandemic there were more adult care homes within the county, but the Council continued to try to invite local care providers to provide more specialist care in the area.

Councillor Cessford commented on ways in which the local authority worked with the management of adult social care settings where ratings had deteriorated. He asked if more information could be provided within these six-monthly reports which showed the adult social care providers ratings over a longer period of time. This would allow members to understand any patterns/trends identified and help evaluate the effectiveness of the assistance given by the local authority. It was confirmed extra detail could be added to future reports.

Councillor Oliver queried whether there were any capacity issues particularly when places had been restricted due to a poor CQC inspection status. A. Curry

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confirmed that where the Council had restricted new placements to a service officers would manage the situation while ensuring resources could be redirected to help rectifying problems.

Councillor Wallace talked about independent living and adult care provision and the choices available to residents. A. Curry stated that the southeast of the county had the most concentration of adult care provision and would expect those residents would have more choice than those in more rural areas. Capacity levels were stable but domiciliary care remained the biggest area of risk/concern at the minute due to a shortage of care workers although there had been a slight improvement since April 2023. Most people wanted to stay in their homes for as long as possible, but the Council continued to try and improve the choice available for all.

RESOLVED that Audit Committee assesses the effectiveness of the actions the Council takes in response to external inspections and confirms an assurance that the Council is taking appropriate action in respect of any issues.

24 **REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES**

Corporate Fraud Annual Report

A. Hodgson, Corporate Fraud Manager presented a report which updated Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2022 – 31 March 2023.

The team were responsible for achieving fraud prevention, detection, and identification values were detailed within the report. It was reported that during the period, 1,571 referrals were opened and 1,407 closed. With the exception of the Right to Buy (RTB) verification and SPD data matches, these were reactive referrals, where a report of a suspicion of fraud had been received. It was noted that Council Tax was by far the largest area of investigation, and a large proportion of these were from the proactive single person discount project (SPD) which launched in October 2022.

It was reported that due to the relaxing of Covid restrictions the Corporate Fraud Team had been able to return to face-to-face interviews and more criminal-focused investigations. This had resulted in the team being able to consider relevant sanctions and prosecutions.

The Chair thanked officers for the very clear and important report. He questioned if returning to face-to-face interviews had resulted in a measurable impact. It was confirmed that without in person interviews there could not be criminal sanctions. During the 2020/21 there had been zero sanctions compared to last year which saw six recorded. Along with sanctions it was noted that the monetary value yielded was also increasing year on year.

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Councillor Dale welcomed the cross-cutting approach that was being taken by the Corporate Fraud Team to work 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. She asked for her gratitude to be passed to staff. It was confirmed comments made would be passed to the team.

Councillor Grimshaw agreed with the comments made by Councillor Dale. She also asked if social media and other forms of communication could be used to highlight that the Corporate Fraud Team was and would continue to investigate suspected fraud, corruption and theft and actively seek to prosecute and recover such sums of money.

J. Willis, Executive Director of Transformation and Resources (S151) confirmed that there was planned communications to highlight that people were being identified and sanctions made, particularly in relation to housing tenancy and right to buy fraud.

RESOLVED that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team, 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.

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

Annual Report from Audit Committee to Council

K. McDonald, Head of Internal Audit and Risk Management presented a copy of the Annual Report from Audit Committee to Council for 2022/23. (A copy of the report has been filed with the signed minutes).

Members were advised that it was good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) that Audit Committee should prepare an annual report for presentation to Council. Therefore, a report had been prepared for Council detailing the main governance matters which had been considered by Audit Committee during 2022/23 and the outcomes of the self-assessment and current review of Audit Committee arrangements.

The Chair noted that a total of 48 reports had been considered by Audit Committee during the year which was a considerable feat especially considering some of the difficult subjects discussed at the meetings.

Councillor Dale welcomed the report and highlighted the importance of the Audit Committee. She highlighted the principal areas where the Audit Committees should exert influence, add value and challenge. She thanked the Chair and Head of Internal Audit and Risk Management for ensuring Audit Committee could maintain its independence and members could talk independently to officers.

RESOLVED that Audit Committee agree the Audit Committee Annual Report for 2022/23, for presentation to Council.

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Councillor J. Reid withdrew from the meeting at this point and did not return.

26 **EXTERNAL AUDIT REPORT**

Audit Strategy Memorandum 2022/23

Members received the Audit Strategy Memorandum for Northumberland County Council for the year ending 31 March 2023. (A copy of the document has been filed with the signed minutes).

J. Dafter, External Auditor drew members' attention the main points of the report which sought to summarise Mazars audit approach, highlighted significant audit risks and areas of key judgements and provided the Audit committee with the details of the audit team.

In response to a query from Councillor Dale it was confirmed that the housing capital receipts only included those from the County Council not Group entities.

RESOLVED that the Audit Strategy Memorandum 2022/23 be received.

27 **DATE OF NEXT MEETING**

RESOLVED that the next meeting has be scheduled for Wednesday, 29 November 2023 at 10.15 am.

As this was the Chair's last meeting before stepping down, Members expressed their appreciation to S. Watson for his exemplary leadership and commitment to the work of Audit Committee over a number of years. Members wished him well for the future.

28 **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

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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.

29 REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Group Audit Committee: Advance Northumberland Internal Audit Update

K. McDonald, Head of Internal Audit and Risk Management presented the report which updated 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 July 2023. This report was presented to Advance Northumberland Audit Committee on 12 September 2023. (A copy of the report has been filed with the signed minutes, coloured pink and marked "Not for Publication").

RESOLVED that Audit Committee notes the Advance Northumberland: Internal Audit Update Report provided in 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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