



Northumberland County Council

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email:

Tel direct: 01670 622606

Date: 19 September 2023

Dear Sir or Madam,

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held on
**WEDNESDAY, 27 SEPTEMBER 2023 at 10.15 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
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AGENDA

PART I

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

1. APOLOGIES FOR ABSENCE

2. MINUTES

(Pages 1
- 18)

Minutes of the meeting of the Audit Committee held on 26 July 2023, 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 Registrable Interest or Non Registrable Interest in a matter being considered in exercise of their executive function, they must notify the Monitoring Officer and arrange for somebody else to deal with it.

NB Any member needing clarification must contact monitoringofficer@northumberland.gov.uk. Members are referred to the

Code of Conduct which contains the matters above in full. Please refer to the guidance on disclosures at the rear of this agenda letter.

4. MONITORING REPORT / ACTION LOG 2023-24 (Pages 19 - 26)

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. JOINT REPORT OF THE CABINET MEMBERS FOR INSPIRING YOUNG PEOPLE AND CARING FOR ADULTS (Pages 27 - 40)

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

To inform Members of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. This covers the period from 1st January 2023 to 30th June 2023.

6. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES (Pages 41 - 50)

Corporate Fraud Annual Report

The purpose of this report is to update Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2022 – 31st March 2023.

7. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT (Pages 51 - 64)

Annual Report from Audit Committee to Council

The purpose of this report is to present an Annual Report from Audit Committee to Council for 2022/23, for the agreement of Audit Committee.

8. EXTERNAL AUDIT REPORT (Pages 65 - 102)

Audit Strategy Memorandum 2022/23

To present the Audit Strategy Memorandum for Northumberland County Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team.

9. URGENT BUSINESS

10. DATE OF NEXT MEETING

The next meeting is scheduled for Wednesday, 29 November 2023 at 10.15 am.

PART II

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

11. EXCLUSION OF PRESS AND PUBLIC

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

(a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following 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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| 12 | 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. |
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12. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

(Pages
103 -
114)

Group Audit Committee: Advance Northumberland Internal Audit Update

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 July 2023. This report was presented to Advance Northumberland Audit Committee on 12 September 2023.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

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

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

Registering Interests

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

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

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

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

Non participation in case of disclosable pecuniary interest

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

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

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

Disclosure of Other Registerable Interests

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

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in **Table 1**) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
- a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative or close associate; or
 - c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2** you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied
9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well- being:
- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

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

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

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

Table 1: Disclosable Pecuniary Interests

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

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

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

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

Table 2: Other Registrable Interests

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

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

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Agenda Item 2

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At the Annual Meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 26 July 2023 at 10.15 a.m.

PRESENT

S. Watson
(Chair, in the Chair and Co-opted Member)

COUNCILLORS

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

Oliver, N.
Reid, J.
Wallace, A.

OFFICERS IN ATTENDANCE

Candlish, T.
Gerrard, S.

Hall, S.
Hunter, P.

McDonald, K.

Paterson, Dr. H.
Todd, A.
Ward, A.
Willis, J.

Group Assurance Manager
Director of Law and Corporate
Governance (MO)
Group Assurance Manager
Director of Strategy and
Communications
Head of Internal Audit and Risk
Management
Chief Executive
Democratic Services Officer
Communications Lead - External
Executive Director of
Transformation and Resources &
S151 Officer

ALSO IN ATTENDANCE

Earl, R.

Gilbert, J.
Greenburgh, M.
Sanderson, H.G.H.
Waddell, C.
Wearmouth, R.

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

1 member of the press was present.

1. MEMBERSHIP AND TERMS OF REFERENCE

Ch.'s Initials.....

Page 1

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

Membership

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

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

Chair: S. Watson (appointed until 31 July 2024)

Vice Chair: D. Towns

Conservative	Labour	Independent Group	Liberal Democrats	Green Party	Ind Non-Grouped
T. Cessford	L. Grimshaw	A. Dale	J. Reid		
P. Jackson	A. Wallace				
N. Oliver					
D. Towns					

Also:

3 Independent Members (non-voting) – P. Topping (appointed until 31 July 2024, S. Watson and TBC.

Terms of Reference and Powers:

Statement of Purpose

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

Governance, risk and control

- (a) To review the Council’s corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- (b) To monitor the effective development and operation of risk management in the Council.
- (c) To monitor progress in addressing risk-related issues reported to the committee.
- (d) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- (e) To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA’s Financial Management Code.

Ch.’s Initials.....

- (f) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (g) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (h) To approve the Regulation of Investigatory Powers Act 2000 (RIPA) policy and procedures, monitor the Council's use of RIPA powers and to undertake the annual review of the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA) ensuring compliance with the Code of Practice.
- (i) To monitor the counter fraud strategy, actions and resources.
- (j) To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

- (a) Governance reporting
 - (i) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
 - (ii) To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- (b) Financial reporting:
 - (i) To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
 - (ii) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
 - (iii) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

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

External audit

- (a) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

- (b) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- (c) To consider specific reports as agreed with the external auditor.
- (d) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (e) To consider additional commissions of work from external audit.
- (f) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- (g) To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

(h) Internal audit

- (i) To approve the internal audit charter.
- (j) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (k) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (l) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (m) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- (n) To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- (o) To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - (i) updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - (ii) regular reports on the results of the Quality Assurance and Improvement Programme
 - (iii) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (p) To consider the head of internal audit's annual report, including:

Ch.'s Initials.....

- (i) the statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement (these will indicate the reliability of the conclusions of internal audit)
- (ii) the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the Annual Governance Statement).
- (q) To consider summaries of specific internal audit reports as requested.
- (r) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- (s) To contribute to the Quality Assurance and Improvement Programme and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- (t) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement where required to do so by the accounts and audit regulations
- (u) To provide free and unfettered access to the Audit Committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

(v) Accountability arrangements

- (w) To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- (x) To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- (y) To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.
- (z) Designation of the County Council's Audit Committee as Group Audit Committee for all entities within Northumberland County Council's Accounting Group Boundary.

Group Audit Committee

The Audit Committee is also designated as the Group Audit Committee for all entities within Northumberland County Council's Accounting Group Boundary.

The detailed terms of reference for this function are contained within the Council's Constitution.

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

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor T. Cessford, Councillor D. Towns and P. Topping.

3. MINUTES

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

4. DISCLOSURE OF MEMBERS' INTERESTS

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

5. MONITORING REPORT / ACTION LOG 2023-24

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

Regarding action 1, Councillor Grimshaw suggested that the item remain on the action log as there were still improvements to be made. Councillor Dale queried whether the Audit Committee could be provided with the last two Challenge Board documents to see if there were any aspects that Members would like to examine further. Members agreed for the action to remain on the log.

In relation to action 2, the Chair advised that it remain on the log as the discussion with the relevant overview and scrutiny committee had not taken place.

Actions 3 and 4 were listed on the agenda for today's meeting.

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

6. REPORT OF EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER

International Lessons Learned Review

Members welcomed J. Gilbert, External Advisor to the meeting to report to the Audit Committee the outcome on the International lessons learned review commissioned following the issue of the S151 Officer's S114 report in May 2022. (A copy of the report and powerpoint slides has been filed with the signed minutes).

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Members were reminded that the purpose of the investigation was to draw out key lessons to be learned. Identify where the council's processes for ensuing commercial trading activities were undertaken on a lawful basis and subject to appropriate oversight and reporting were fit for purpose fell short of both standard and best practice. The investigation also made recommendations for addressing any weaknesses identified.

J. Gilbert presented a powerpoint presentation which covered the following:

- A recognition that the investigation followed on from the 'Caller report'.
- The background, review methodology and report structure.
- The process was voluntary with a focus on lessons learnt, not individual blame.
- A number of individuals were still quite affected by the experience, but there was also evidence of a number of individuals trying to do their best at times in testing circumstances.
- Following the 'Caller report', a number of recommendations in this report were already in place.
- An explanation on the process of legal maxwellisation, the right to reply to drafts on the investigation report and associated timeline.
- It was stressed that there was no hearsay within the report prepared. It was an evidence-based report. Although due to the poor governance that was taking place at the time, some conclusions that had to be finally drawn were as much through a lack of evidence, rather than evidence supporting it.
- The investigation focused on the time span from 2017-2021.
- International started as a Trust initiative with Northumberland County Council seeing it as an opportunity to generate income.
- There were no solid foundations when International was set up or processes of 'vetting'. There was also an absence of any formal management accounts being established.
- In the beginning there was an assumption that proper governance was in place.
- In the first two years the only good formal governance taking place was by the Trust.
- Members were not inquisitive enough in their questioning of this initiative at the beginning and were evidently very supportive of the work in the first couple of years.
- In the first two to three years, any meetings held were informal and away from formal scrutiny and audit. This resulted in inadequate formal governance arrangements which were not formally recognised within the internal control environment of the Council.
- In most of the discussions that took place as part of the investigation, both officers and members talked about the increasingly toxic environment it felt like to be working in.
- Poor behaviors across the whole Council during periods of International work contributed to a high turnover of statutory officers in particular.
- There were eight different S151 Officers in place since 2007 and the sharing of the Monitoring Officer role resulted in gaps of handover and corporate memory.
- Many interviewees felt that they were operating in an environment where constructive challenge was discouraged, thereby eroding internal checks and balances.
- Members did not appear to have been aware of increasing concerns of the Trust Board which culminated in their decision in September 2018 to withdraw from the commercial arrangement and replace it with an overarching co-operation agreement.
- Formal internal checks and balances that would normally be expected were either weak or absent.

Ch.'s Initials.....

- Poor internal governance across the Council resulted in the work of International not being picked up as a potential risk area at a level that audit should have overseen, until much later in the journey.
- The continued turnover of the 'golden triangle' of statutory officers did not help.
- There was an uncertainty around expenditure and key decision criteria linked to the position of the Council's Constitution at that time.
- There were several joint posts where senior officers had roles in both the Council and the Trust which blurred accountability.
- There was a lack of training, development and support for senior officers and members.
- The S151 and Monitoring Officers were not as close to the work of International as they should have been. The Monitoring Officer operated at a third-tier level which diminished the level of understanding of this position.
- There was a complete breakdown in relationships and erosion of trust and confidence between some senior officers and executive members across the Council. This resulted in questions being asked by Cabinet members not being responded to or responses given not a level which satisfied them.
- From late 2018 onwards, discussions were taking place about the need to establish a company structure, but various things delayed this including the COVID pandemic.
- A reminder that the purpose of the investigation was not to look at unlawfulness or to attribute individual blame.
- The report detailed the key lessons learnt and recommendations going forward.
- To note that during the course of completing the investigation, the Council had started to formulate a formal governance process that picked up a number of the recommendations or lessons learnt.
- The Audit Committee would need to monitor the delivery of the recommendations and associated action plan.
- The importance of the Council moving on from this situation.

The Chair thanked J. Gilbert on the independent investigation report and his presentation today. He then opened the meeting up for questions. It was noted M. Greenburgh, External Advisor was also in attendance for any legal input needed.

Councillor Grimshaw thanked J. Gilbert for his detailed report. She commented that she hoped that lessons had been learnt and the informal culture identified was in the past. She stated that informal Cabinet was still taking place but expected that no formal decisions were being made at these meetings. The Council needed to now move forward.

Councillor Jackson commented on the limited scope of the report commissioned. He commented that he had asked for Cabinet Members to be interviewed as part of the investigation. He said that no formal decisions could be made during the time specified as to do that members would need information on what they were being asked to approve, which was not forthcoming. He stated that questions were being asked but members were not receiving satisfactory replies. He questioned why the three lines of defence were not followed, why the role of audit was not properly applied and how members of the management team could say they were not aware of what was happening. J. Gilbert responded by confirming that the investigation was not to point fingers at any individuals. However, the review had made recommendations which would help address the weakness identified within the management and connectivity of the Council.

Councillor Oliver said that he understood the lack of hard evidence that would have been around due to the informality in 2019. However, he stated that formally he had asked questions. He commented that although the investigation was not about blame, the question of why still needed answered. He asked for the opinion of the External Auditor on the matter. He also asked whether the environment identified where constructive challenge about the work of International was discouraged included not just members but also challenges from the S151 and Monitoring Officers at that time. In response J. Gilbert stated that the report did summarise why but did not assign individual blame. From the evidence and strength and weight of those opinions established through interviews, the toxic environment was a major contributing factor to a breakdown in member/officer relationships. The environment could not have encouraged a two-way dialogue between both. He stated that the report was evidence based with no hearsay or guesswork included. The External Auditor said that he had nothing to add as the S114 notice had stated it all from their perspective.

Councillor Dale commented on the key lessons learnt within the report. She stated that although she was not aware of International at first, she did write to the External Auditor in 2019 about her concerns. It was worrying that there were no paper trails of decisions made or of questions being raised during this time. She stated that it was clear that during this time there had been a breakdown of controls, there were no adequate lines of defence and there was a very high turnover of staff. She asked if councillors and officers needed additional training, and whether the external advisor was satisfied that the investigation was evidence based. In response it was confirmed that the investigation was based on evidence gathered but as previously reported some conclusions that had to be finally drawn were as much through a lack of evidence, rather than evidence supporting it. The recommendations detailed in the report included training and support for members and officers.

Councillor Oliver commented on a past investigation that had taken place to examine International. On that occasion a barrister was appointed to investigate. He queried whether a report had been prepared from the barrister's investigation as he was aware that interviews had taken place. He also asked if the barrister of the previous investigation had been approached as part of this work. J. Gilbert confirmed that he had not contacted the barrister, as the scope of his investigation had been different.

Councillor Oliver stated that the lessons learnt investigation had made it clear that systems/processes that were in place had been overridden. He asked what had changed to ensure the same problems did not happen in the future. In response, it was confirmed that if the recommendations and lessons learnt were taken onboard and implemented, they would help mitigate risks.

Councillor Wallace asked if this report would be reported to full County Council and whether members of the public and opposition councillors would have the opportunity to ask questions there. J. Willis confirmed that governance matters were for Audit Committee not full County Council. It was not intended to bring the report to a meeting of County Council and questioned what additional purpose would be served. Meetings of Audit Committee were open to the public and reports available on the Council's website for all to access.

Councillor Wallace replied that he felt for accountability and transparency reasons the report should be reported to a meeting of County Council. He commented on an email received before the meeting which he felt was informing members what they could or

could not say on this matter. The Chair stated that the only purpose of the email was to advise councillors on legal matters associated with the report.

Councillor Wallace asked the Head of Internal Audit and Risk Management if he was satisfied that lessons had been learnt and recommendations were being implemented. K. McDonald reported that some of the details covered a period when he was not in position. However, Internal Audit annually prepared an audit plan on risks. This ensured that an effective internal audit to evaluate the effectiveness of the Council's risk management, control and governance processes took place. He was comfortable and confident that proportional and measured risks were now being taken. Internal Audit continued to review, but at the minute there was nothing to flag.

Councillor Grimshaw asked a question on behalf of members of the public as to how much the investigation had cost. J. Willis said it would be difficult to quantify officer time, but she could provide information to Councillor Grimshaw outside the meeting.

Councillor Wallace left the meeting at this point.

Councillor Reid commented on the business dealings of International and stated that the Council should have always seen it as a bad idea. Delivering services in local areas should have been the top priority for the Council not conducting training in overseas countries. He pointed out that within the report there were some inaccuracies in the timeline. One example of this was that the Leader had not stood down in September 2020; he lost a vote of no confidence. He stated that it seemed that the Leader at the time was the only person who had paid any political price for the failings associated with International.

Councillor Dale commented on the Risk Appraisal Panel, the value of the panel and the need to utilise it formally and effectively. It was confirmed that this would be the case and was covered in the recommendations within the report.

Councillor Jackson discussed the attempts he made to raise concerns including his whistleblowing report. He commented that his concerns were passed to Northumbria Police who suggested the Council conduct its own investigation. He queried where the responsibility lay and if following this investigation, the Council should take any further actions or referrals.

In response the Monitoring Officer stated that the matter of prosecution was for the police to decide upon. There had been an internal review which had now been concluded. There was no reason to reopen the matter although if anything was to change, he would advise.

Councillor Grimshaw thanked those officers who had continued to work hard during this time often under difficult circumstances.

RESOLVED that Audit Committee note the recommendations set out in the report and action plan and agree to receive a progress update in 6 months' time.

7. REPORT OF EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER

Review of Exit Payments

Ch.'s Initials.....

The report sought to bring to the attention of the Committee the views of the Chief Finance Officer (S151 Officer) on the lawfulness of exit payments to former senior officers. (A copy of the report has been filed with the signed minutes).

J. Willis, Executive Director of Transformation and Resources and S151 Officer introduced the report which detailed eight exit payments which had been identified following the review. It was reported that following further correspondence it had now been agreed that the exit payment to the Director of Finance and Deputy Chief Executive in 2018/19 had been unlawful. Therefore, of the eight identified, seven had been deemed as unlawful.

It was noted that since the S114 report was considered by Council in June 2022, the Council had made significant progress in its governance arrangements and had put in place more transparent and robust reporting and approval processes. The pay policy statement had been amended to ensure compliance with the requirements of the Localism Act 2011. There was now a requirement for the S151 Officer to be consulted prior to entering into settlement agreements and to sign off all exit packages, regardless of value. The requirements of the Localism Act 2011 regarding transparency and accountability for exit payments to chief and deputy chief officers and all severance payments over £100,000 were now well understood.

It was reported that all the relevant facts had been put in the public domain and that the measures detailed within the report had minimised the risk of any repeat occurrence. In the interests of full transparency, a full retrospective report on these matters was to be prepared for the Staff and Appointments Committee.

On the matter of considering whether there would be any reasonable likelihood in seeking to recover any payments that were made unlawfully. It was reported that after considering legal advice it had been concluded that there were not good prospects, and that the legal costs of seeking restitution, and the uncertainty created would outweigh any advantage that might be achieved.

M. Greenburgh, External Advisor briefed the Audit Committee on the key differences between the exit payments being considered unlawful or illegal.

Councillor Dale commented on concerns she had raised about processes not being in place and deletions or amendments being made to the Council's Constitution without member input. In response, J. Willis stated the Pay Policy Statement had been flawed and for reasons still unclear a provision referencing the requirements of the Localism Act was removed. A number of changes had been made to ensure there was no repeat of these issues including the creation of a Staff and Appointments Committee and a Constitution Working Group.

Councillor Oliver thanked officers for the report which gave members and the public transparency over what had happened. He stated that questions had been asked at the time, but members had been refused information. In response to a query raised about payments made to the statutory officer, J. Willis confirmed that she could not comment. However, she did highlight that the Pay Policy statement had been incorrect in two separate areas. She reassured members that processes had now been amended and the S151 Officer would now see all the details and rationale before payments were signed off.

The Leader of the County Council commented on his formal complaint about International as well as his attempts to resolve this issue. He thanked all officers involved including the S151 Officer, Internal Audit and the External Auditors. He was very proud of the Council and the positive changes that had been made.

Councillor Jackson commented on the report but believed there was a much bigger issue needing addressed other than just exit packages. He stated that the appointment and dismissal of statutory officers needed investigated further. He stated that the 'Caller report' commented on this issue as well as the unusual use of gagging orders as areas of concern.

Councillor Dale stated that she would like to look at exit interviews.

The Chair asked members to keep to the topic in hand.

Councillor Oliver stated that his personal view was that these unlawful payments should be referred to the police. In response, J. Willis stated that there was no hard evidence of fraud or any other form of criminality. The payments could have been lawful if the correct processes had been followed. There was no basis to make a formal referral to the police at this time, but she would keep the issue under review.

RESOLVED that Audit Committee note the views of the Chief Finance Officer.

The Chair agreed to consider the External Auditor's report next which would allow him to leave the meeting early to attend another commitment.

8. EXTERNAL AUDIT REPORTS

(a) Audit Strategy Memorandum 2022/23

RESOLVED that the item be withdrawn from the agenda.

(b) Audit Progress Report

Members received the external auditor's report (a copy of which has been filed with the signed minutes).

C. Waddell, External Auditor drew members' attention to the main points of the progress report.

Regarding the 2019/20 Audit, the conclusions in respect of the Council's value for money (VFM) arrangements remained outstanding for the 2019/20 financial year; this, along with the 2020/21 Value for Money work, will be informed by completion of the matters outstanding relevant to the 2021/22 opinion.

Work on the 2020/21 Audit had been paused pending the resolution of the outstanding infrastructure national issues. These issues had now been resolved and guidance had been agreed as to how to proceed in this area. It was hoped that officers would be able to bring this issue to a conclusion. It was hoped that the conclusion of the assessment of the audit opinion for 2020/21 would be carried out soon.

The Council's VFM arrangements remained outstanding, linked to the outstanding financial statement's opinion area referenced in the 2021/22 Audit.

The 2021/22 Audit had outstanding matters which were detailed within the report. There was a new national issue related to the impact of the delay in 2021/22 audit work, initially caused by the infrastructure issue, and then by a delay in receiving the Pension Fund Auditor Assurance letter. The Pension Fund auditor had indicated that they would not be able to provide the results of their testing until September 2023. On receipt of the assurance, it was anticipated that the audit would be complete, and the Audit Completion Report would be presented to Audit Committee.

It was noted that in relation to the 2021/22 Audit it was anticipated that an unqualified audit opinion would be issued. However, it was stressed that the recent delays in relation to infrastructure assets and pensions were national issues beyond the Council's control.

RESOLVED that the progress report be noted.

C. Waddell withdrew from the meeting at this point.

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

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

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

RESOLVED that:

- (a) The Audit Committee considers and notes the Chief Internal Auditor's 2022/23 opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, attached as Appendix 1; and
- (b) This opinion is considered by the organisation when finalising the Annual Governance Statement for this period; and by the Audit Committee, as a source of assurance at the time it considers the Annual Governance Statement.

10. REPORT OF THE LEADER OF THE COUNTY COUNCIL

Annual Governance Review and Draft Annual Governance Statement 2022/23

The Leader of the County Council presented the report which sought to enable the Audit Committee to review the draft Annual Governance Statement for 2022-23 and consider whether it properly reflected 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. (A copy of the report has been filed with the signed minutes).

Ch.'s Initials.....

On the recommendations being put to the vote: For 4; AGAINST 0; ABSTAIN 1.

RESOLVED that Audit Committee:

- (a) Approve the draft Annual Governance Statement (shown in Appendix A); and
- (b) 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 22-23 Audit.

11. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES

The Statement of Accounts for the year ended 31 March 2023

J. Willis, Executive Director of Transformation and Resources and S151 Officer presented the draft (unaudited) Statement of Accounts for the year ended 31 March 2023. (A copy of the report has been filed with the signed minutes).

It was reported that the unaudited Statement of Accounts for Northumberland County Council for the financial year ended 31 March 2023 was authorised by the responsible financial officer and published on the Council's website on 31 May 2023.

Members were advised that the overall financial position of the Council remained healthy.

It was noted that the Statement of Accounts would now be reviewed by the External Auditor. Following this review, the final (audited) Statement of Accounts would be presented to Members of the Audit Committee for approval. It was envisaged that this would be by the end of December.

Councillor Oliver welcomed the written statement and narrative within the report as it made for a clear and easier to understand document.

In response to queries raised by Councillor Dale on days lost to sickness and contractor claims it was suggested that she discuss these issues with the Executive Director of Transformation and Resources and S151 Officer after the meeting.

RESOLVED that Audit Committee consider the Statement of Accounts for the Council for the financial year ended 31 March 2023.

12. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES

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

Northumberland County Council was required to assess whether it should be considered as a ‘going concern’ organisation, and whether the Council's annual Statement of Accounts should be prepared on that basis. This report considered the Council's status as a going concern and recommended that Members approve this. (A copy of the report has been filed with the signed minutes).

Ch.'s Initials.....

J. Willis, Executive Director of Transformation and Resources and S151 Officer drew members' attention to the main points of the report.

RESOLVED that Audit Committee approve that the Council is considered to be a going concern and that the Statement of Accounts 2022-23 is prepared on that basis.

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

Strategic Audit Plan 2022/23 – Final Monitoring Statement

K. McDonald, Head of Internal Audit and Risk Management presented the report which provided Audit Committee with a final monitoring statement in respect of the Strategic Audit Plan for 2022/23 (a copy of the report has been filed with the signed minutes).

The final monitoring statement, outlining progress against the Plan for 2022/23 looked at each audit review area and associated key objectives, as agreed by Audit Committee, and noted the progress achieved. It was noted that during 2022/23, 48 assignments were originally programmed. Of these assignments, 26 (54%) were complete, with fieldwork complete in 7 of 9 reviews currently being finalised. A further 10 assignments had been completed, which were not included within the Strategic Audit Plan. In addition, work had also been completed in relation to 10 assignments that had commenced in the previous financial year.

Following on from a query from the Chair regarding additional work, it was reported that the Strategic Audit Plan was kept under continuous review to allow resources to be redirected to unplanned work and to respond to changes in resource levels within the service.

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

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

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

K. McDonald, Head of Internal Audit and Risk Management presented the report which advised Audit Committee of key outcomes from Internal Audit reports issued between November 2022 and April 2023. Information was provided on the level of assurance for each audit, the number of recommendations made, areas of good practice identified and main findings. (A copy of the report has been filed with the signed minutes).

The Chair welcomed the fact that none of the internal audit recommendations issued between November 2022 and April 2023 had been classified as critical or high priority.

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

15. REPORT OF DEPUTY LEADER AND PORTFOLIO HOLDER FOR CORPORATE SERVICES

Treasury Management Annual Report for the Financial Year 2022-23

The report provided details of performance against the Treasury Management Strategy Statement (TMSS) 2022-23 approved by the County Council on 23 February 2022. The report provided a review of borrowing and investment performance for 2022-23, set in the context of the general economic conditions prevailing during the year. It also reviewed specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by the Authority in the TMSS. (A copy of the report has been filed with the signed minutes).

J. Willis Executive Director of Transformation and Resources and S151 Officer outlined the key points of the report.

RESOLVED that Audit Committee:

- (a) receive the report and note the performance of the Treasury Management function for 2022-23; and,
- (b) present the report to County Council.

16. DATE OF NEXT MEETING

RESOLVED that the next meeting has be scheduled for Wednesday, 27 September 2023 at 10.15 am.

17. 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

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.

The Monitoring Officer and S151 Officer agreed R. Earl, Advance Northumberland Chief Operating Officer could remain in the meeting whilst the next agenda item was discussed as an observer.

Councillor J. Reid declared an interest in this item and withdrew from the meeting.

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

Group Audit Committee: Advance Northumberland Internal Audit Update

The purpose of the report was to update Group Audit Committee on the Chief Internal Auditor’s Annual Opinion for 2022/23 on the Framework of Governance, Risk and Control for Advance Northumberland Group of Companies, provided at Appendix 1 together with the agreed Strategic Audit Plan 2023/24 at Appendix 2. Additionally, an Update on the Strategic Audit Plan for 2022/23 was provided at Appendix 3 which also included a summary of work finalised since the previous update to Audit Committee in January 2023. It was noted that these reports were presented to Advance Northumberland Audit Committee on 18 April 2023. (A copy of the report has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

RESOLVED that Group Audit Committee:

- a. Notes the Chief Internal Auditor’s Annual Opinion on the framework of governance, risk management and control for Advance Northumberland Group of Companies, provided at Appendix 1;
- b. Notes the Strategic Audit Plan for 2023/24, provided at Appendix 2;
- c. Notes the Internal Audit Plan Update 2022/23 and Key Outcomes Report at Appendix 3; and
- d. Considers these reports as part of its ongoing evaluation of the framework of governance, risk management and control within Northumberland County Council’s accounting group boundary.

CHAIR.....

DATE.....

Ch.’s Initials.....

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NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

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

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

Updated: 19 September 2023

**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.	On going monitoring as and when appropriate.
2.	28.09.22	Strategic Transformation Programme Business Case	To receive a report on the business case to ensure best value for money. For the item to be placed on the Work Programme. Corporate Services and Economic Growth OSC would scrutinise the Business Case and suggested a discussion with the Chair and Vice Chair of the Committee to ensure there was no duplication of workload. The Business Case was considered at OSC *	Executive Director for Resources & Transformation (S151)	*To remove with Committee approval.
3.	26.07.23	International Lessons Learned Review	Report received by the Committee in July 23. Audit Committee will receive a further progress report in six months' time.	Executive Director for Resources & Transformation (S151)	Report scheduled for January 2024 meeting.
4.	26.07.23	International Lessons Learned Review	A query as to the cost of the investigation.	Executive Director for Resources &	J. Willis to meet with Cllr Grimshaw after

Updated: 19 September 2023

				Transformation (S151)	the meeting to discuss.
5.	26.07.23	The Statement of Accounts for the year ended 31 March 2023	A query regarding days lost to sickness and contractor claims.	Executive Director for Resources & Transformation (S151)	J. Willis to meet with Cllr Dale after the meeting to discuss.

WORK PROGRAMME

ISSUE
27 September 2023
Internal Audit, Risk Management & Corporate Fraud Counter Fraud Annual Report Update on Internal Audit work in relation to active group entities Annual Report from Audit Committee
External Audit Audit Strategy Memorandum 2022/23
Reports from Other Service Areas Review Of External Inspection Reports – Adult Social Care and Children’s Services
29 November 2023
Internal Audit, Risk Management & Corporate Fraud Key Outcomes from Internal Audit Assignments Strategic Audit Plan Monitoring Report Update on Internal Audit work in relation to active group entities
Corporate Finance Treasury Management In-year Update Report
External Audit Audit Progress Report
Reports previously deferred External Audit - Final Audit Completion Report

Updated: 19 September 2023

External Audit - Annual Auditors Report
 FPS Local Pension Board Annual Report
 RIPA Policy
 Risk Management Update

31 January 2024

Internal Audit, Risk Management & Corporate Fraud

Approach to preparing the Strategic Audit Plan 2024/25
 Update on Internal Audit work in relation to active group entities

Corporate Finance

Statement of Accounts 2023/24 - Timetable and Policies
 Changes to the Code of Practice for 2023/24
 Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024
 Treasury Management Strategy Statement for the Financial Year 2024/25
 International Lessons Learned Review 6-month update

External Audit

Audit Progress Report

Reports from Other Service Areas

27 March 2024

Internal Audit, Risk Management & Corporate Fraud

Counter Fraud Update
 Risk Management Update Report
 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

- Regular updates on progress made to address issues raised from the Caller Report including monitoring the Action Plan.
- Examine the Strategic Transformation Programme Business Case
- Monitor any impacts from recent changes within Adult Social Care and wider NHS changes where/when appropriate.

Updated: 19 September 2023

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Northumberland County Council

COMMITTEE: AUDIT

DATE: 27TH SEPTEMBER 2023

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

Report of Cabinet Members: Guy Renner-Thompson and Wendy Pattison.

Lead Officers: Audrey Kingham, Executive Director of Children, Young People and Education and Neil Bradley, Executive Director of Adults, Ageing and Well being

1. Purpose of Report

To inform Members of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. This covers the period from 1st January 2023 to 30th June 2023.

2. Recommendations

The Committee is recommended:

1. 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.

3. Link to Corporate Plan

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

4. Key issues

- 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.
- 86.7% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of June 2023, a small increase from the position in the last report (84.8% at end of December 2022). 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 83.3% of services with a rating are Good or Outstanding.

- Inspections of children’s residential homes have continued and there has been 1 inspection during the period. All 5 units are judged to be Good or better, with Kylee secure unit judged as Outstanding on all criteria when it was inspected in the autumn. Section 5.2.1 describes what actions are taken when Ofsted moves a provision from Outstanding to Good.
- 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. Section 5.2.2 details what actions are being followed up by the service.
- Inspections of schools recommenced in the summer term of 2021 and the findings have been positive overall, leading to an increase in the proportion judged Good or Outstanding. 93% of Northumberland’s schools are judged by Ofsted to be Good or Outstanding compared to 89% nationally. Section 5.2.3 describes the actions that have been implemented in the one inspection during the period where Ofsted downgraded their judgement of a school.
- Inspections of early years providers continue, and the vast majority are judged to be Good or Outstanding (97%), similar to the national average. Section 5.2.4 describes what actions are taken when Ofsted judges provision to be less than Good.
- Preparation for the new Area Special Educational Needs and Disabilities (SEND) inspection and Adult Learning inspections continues.

5. Background

The report focuses on inspection activity undertaken by the CQC and Ofsted between January 2023 and June 2023.

5.1 Adult Social Care CQC inspection status

86.7% of all Northumberland-based Adults Social Care providers were rated as Good or Outstanding at the end of June 2023, compared to 84.8% at the end of December 2022.

The table overleaf describes the new registration and published inspection activity that has taken place between January and June 2023. 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.

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. In the case of the two services that were

rated inadequate at the time of the last report, one of these has improved its rating to “Requires Improvement” and we anticipate that the recent inspection of the other service rated Inadequate will have the same outcome although the report was to be published after 30th June which was the cut-off date for this report.

The work of Council teams and colleagues in the NHS aimed at improving overall quality results 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

CQC-registered locations in Northumberland - changed registration or with an inspection published January-June 2023

Status	Location Name	Location Primary Inspection Category	Publication Date	Location Local Authority	Location Latest Overall Rating (June 2023)	Location Latest Overall Rating (December 2022)
Changed	Hartford Court	Residential social care	04/02/2023	Northumberland	Good	Requires improvement
Changed	Birkinshaw Manor	Residential social care	17/02/2023	Northumberland	Good	Requires improvement
Changed	The Grange Nursing Home	Residential social care	29/03/2023	Northumberland	Good	Requires improvement
Changed	Woodhorn Park	Residential social care	18/02/2023	Northumberland	Good	Requires improvement
Changed	Cambian Dilston College	Residential social care	24/03/2023	Northumberland	Good	Requires improvement
Changed	Ponteland Manor Care Home	Residential social care	05/01/2023	Northumberland	Good	Requires improvement
Changed	Crofton Court	Residential social care	16/03/2023	Northumberland	Good	Requires improvement
Changed	Helping Hands - West Northumberland	Community based adult social care services	24/02/2023	Northumberland	Good	Requires improvement
Changed	Aurora Home Care Ltd	Community based adult social care services	23/05/2023	Northumberland	Good	Requires improvement
Changed	Dene Grange Care Home	Residential social care	18/03/2023	Northumberland	Good	Requires improvement
Changed	East Riding Care Home	Residential social care	24/06/2023	Northumberland	Requires improvement	Inadequate
Changed	Albury House	Residential social care	06/04/2023	Northumberland	Requires improvement	Good
Changed	Elpha Lodge Residential Care Home	Residential social care	20/05/2023	Northumberland	Requires improvement	Outstanding
Changed	Chasedale Care Home	Residential social care	09/06/2023	Northumberland	Requires improvement	Good
Changed	Astor Lodge	Residential social care	09/02/2023	Northumberland	Requires improvement	Good
Changed	The Oaks Care Home	Residential social care	30/03/2023	Northumberland	Requires improvement	Good
Changed	Victoria House	Residential social care	25/01/2023	Northumberland	Requires improvement	Good
Changed	Havendene Residential Home	Residential social care	26/01/2023	Northumberland	Requires improvement	Good
Newly published	Beresford Lodge Residential Care Home	Residential social care	25/02/2023	Northumberland	Good	
Newly published	Sphere Specialist Healthcare	Community based adult social care services	04/03/2023	Northumberland	Good	
Newly registered	TC Care Global Ltd	Community based adult social care services		Northumberland		
Deregistered	Walby Hill (Adult Care Home)	Residential social care	06/08/2021	Northumberland		Good
Deregistered	Chibburn Court	Residential social care	16/02/2018	Northumberland		Good
Deregistered	The Grange	Community based adult social care services	26/02/2020	Northumberland		Good
Deregistered	Eleanor Nursing and Social Care Ltd - Northumberland	Community based adult social care services	07/09/2022	Northumberland		Good
Unchanged	Northumbria Supported Living Service	Community based adult social care services	30/06/2023	Northumberland	Good	Good
Unchanged	Chester Court	Residential social care	09/02/2023	Northumberland	Requires improvement	Requires improvement
Unchanged	Abbeyfield House - Alnwick	Residential social care	06/05/2023	Northumberland	Requires improvement	Requires improvement
Unchanged	Alexandra Park	Residential social care	10/05/2023	Northumberland	Inadequate	Inadequate
Unchanged	Scarbrough Court	Residential social care	29/06/2023	Northumberland	Good	Good
Unchanged	Bridge View	Residential social care	04/05/2023	Northumberland	Good	Good
Unchanged	Dolphin View Care Home	Residential social care	06/04/2023	Northumberland	Requires improvement	Requires improvement
Unchanged	Wansbeck Care Home	Residential social care	13/06/2023	Northumberland	Good	Good

Source: CQC Active Locations register dated 01 January 2023/ 01 July 2023
(available at <https://www.cqc.org.uk/about-us/transparency/using-cqc-data#directory>)

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.

5.1.1 Local authority-managed inspected services

SERVICE	DATE LAST INSPECTED	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	9.5.18	Good
Tynedale House	4.12.19 9.12.20 (Focused Visit)	Overall Outstanding Good practice in Infection, Prevention & Control (IPC)
STSS - Alnwick	20.12.18	Overall Outstanding
STSS - Berwick	27.6.17 18.2.20 19.7.23 (targeted inspection for safe and well led)	Overall Outstanding Inspected but unable to complete due to COVID restrictions – will be re-inspected at some point No areas of concern identified – report awaited
STSS – South / Central	29.8.17	Overall Outstanding
STSS - West	4.7.17 31.7.23 (targeted inspection for safe and well led)	Overall Outstanding No areas of concern identified – report awaited

The CQC now have their 5 pilot sites for local authority inspections:

- Birmingham City Council
- Lincolnshire County Council
- North Lincolnshire Council
- Nottingham City Council
- Suffolk County Council

They will be using the single assessment framework. They will also be undertaking case tracking as part of the pilots which will retrospectively follow the pathway of a small number of case files to gather evidence for the assessment. A small team led by the Deputy Director of Local Authority Assessment Delivery, has been appointed to undertake the pilots.

For each local authority in the pilot, they will provide a report and indicative scores for all the quality statements and an overall rating, though these will not be formal ratings. Any learning from the pilots will inform the formal assessments which will start later from September 2023.

Feedback / learning from the first pilot site assessment (Nottingham City Council) was due to be given to the Assurance Group of the NEADASS on 29th August 2023.

The CQC have also confirmed the two pilot areas for Integrated Care Systems to be assessed later in this summer are:

- Birmingham and Solihull Integrated Care System
- Dorset Integrated Care System

As part of their monitoring approach the CQC carried out a review on 4th May 2023 of the data available to them about the following services: North STSS (Short Term Support Service) Alnwick; North STSS Berwick; Northumberland Supported Living Service; Shared Lives Northumberland; Southeast STSS; Tynedale House; West STSS Hexham. They found no evidence that they need to carry out an inspection or reassess the rating of each of the services.

Due to the fact that there had been no face to face contact for 5 years, two of our short term support services have received a targeted inspection around the Safe and Well Led domains (Berwick STSS on 19th July 2023 and West STSS on 31st July 2023). Both services received positive informal feedback with no cause for concern. The reports are yet to be received; therefore, these will be reported on at the next committee meeting.

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

All local authority-managed children's residential homes continue to be rated Good or better by Ofsted. Barndale House short break unit was inspected in January and was rated as Good.

HOME	JUDGEMENT	COMMENTS
KYLOE	Outstanding (prev Good)	Judged Outstanding on all criteria Overall experiences and progress of children and young people, taking into account <ul style="list-style-type: none"> Children's education and learning outstanding Children's health outstanding How well children and young people are helped and protected The effectiveness of leaders and managers
BARNDALE	Good (prev Outstanding)	At the most recent inspection there were no Recommendations or Requirements. When asked why the home was no longer judged as "Outstanding", the response was that it was due to the shared space and the building's appearance preventing a homely environment.
COANWOOD	Good (prev Good)	During this reporting period our open residential homes have experienced staffing shortages. Therefore, their ability to maintain a Good judgement is testament to the resilience, skills and commitment of our staff teams.
PHOENIX	Good (prev Requires Improvement)	
THORNDALE	Good (prev Outstanding)	

With regards to Barndale the issue preventing it from being rated Outstanding was due to the building/environment not being homely with acknowledgement that this would be difficult due to the use of a school building. The service is currently working on a development plan to obtain a different building which will offer a more homely environment. All of our four other homes have completed any requirements or recommendations from previous inspections and at the end of June, we were awaiting our annual visits*, which will take place prior to 31st March 2024.

*Thorndale received its inspection in August with the report yet to be published and Kylee House secure unit received a monitoring visit in August, again yet to be published.

5.2.2. 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
- b. Forensically analyse and segment out-of-court data, use findings to identify what works well, and utilise this to influence strategic and operational practice.

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 days preparation following notification and then 5 days of fieldwork. Prior to this, Children's Services volunteered to participate in a

joint Ofsted and CQC thematic review of services that support 0-2 year olds. Due to the timing of the report's submission, a verbal update on the findings of that review will be provided at the committee meeting itself.

5.2.4 SCHOOL INSPECTIONS

Between 1st January and 30th June 2023, 32 inspections took place. Schools that have no previous grade have academised since their last inspection.

Primary/First schools:

	Previous Grade	Current Grade	Report
Croftway Academy	-	Outstanding	Here
Greenhead C of E Primary School	Good	Good	Here
Red Row First School	Good	Good	Here
Seghill First School	Good	Good	Here
Malvin's Close Academy	-	Outstanding	Here
Belford Primary School	Good	Good	Here
Shilbottle Primary School	RI	Good	Here

Burnside Primary School	Good	Good	Here
Haltwhistle Primary Academy	-	Outstanding	Here
Hareside Primary School	Good	Good	Here
Wark Primary School	Good	Good	Here
Seahouses Primary School	Good	Good	Here
Whittingham Primary School	Good	Good	Here
Branton Primary School	Good	Good	Here
Tritlington C of E Primary School	RI	Good	Here
Acomb First School	Good	Good	Here
Ponteland Primary School	-	Good	Here
Henshaw Primary School	Good	Good	Here
NCEA Warkworth C of E Primary School	-	Good	Here

Ellingham C of E Primary School	Good	Good	Here
Stead Lane Primary School	Good	Good	Here
Heddon on the Wall Primary School	Good	Good	Here
Bellingham Primary School	Good	Good	to follow
Horton Grange Primary School	Good	Outstanding	to follow
Tweedmouth Prior Park First School	RI	Good	to follow

The overall figure for the percentage of first/primary schools judged by Ofsted as Good or Outstanding was 95.9% at the end of June 2023, which is above the national average of 90%. This equates to 118 / 123 schools. None of the First / Primary schools inspected in the period were judged to be less than Good, nor downgraded.

Secondary/High schools:

	Previous Grade	Current Grade	Report
St Benet Biscop Catholic Academy	RI	Good	Here
Berwick Middle School	Good	Good	Here
Ponteland High School	Good	Good	Here
NCEA Duke's Secondary School	Inadequate	RI	Here
Bede Academy	Good	Good	to follow

The overall figure for the percentage of secondary schools judged by Ofsted as Good or Outstanding was 86.7% at the end of June 2023, which is above the national average of 81%. This equates to 26 / 30 schools. Academies, such as NCEA Duke's, are not in the control of the Local Authority and therefore the Local Authority cannot intervene easily to drive forward improvement. However, we offer the same level of support to academies as maintained schools should they wish to accept it.

Special Schools:

	Previous Grade	Current Grade	Report
Emily Wilding Davison School	RI	Inadequate	Here
Hexham Priory School	-	Outstanding	Here

The overall figure for the percentage of special schools judged by Ofsted as Good or Outstanding was 80% at the end of June 2023. This equates to 8 / 10 schools (including the Pupil Referral Unit).

A School Improvement Board has been instigated at Emily Wilding Davison School. LA (Local Authority) staff, governors and the school leadership team meet monthly to drive improvements forward. It is clear that the school is already much improved since January when it was inspected.

5.2.5 EARLY YEARS EDUCATION & CHILDCARE

25 graded Ofsted inspections of early years and childcare providers in Northumberland were carried out between 1st January and 30th June 2023. Of these:

- 10 were inspections of childminder settings,
 - 2 Outstanding;
 - 7 Good;
 - 1 Requires Improvement.
- 15 private, voluntary or independent (PVI) group settings were inspected,
 - 2 Outstanding;
 - 11 Good;
 - 2 Requires Improvement.

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 and this is in line with the all-England figure of 97%. This figure equates to 169 out of 174 inspected 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. Two areas within the north east region have been inspected under this framework, namely Hartlepool and Gateshead. Preparation of the documents required for the inspection is underway and overseen through the SEND Partnership Board.

5.2.7 ADULT LEARNING SERVICE

Northumberland's Adult Learning Service is expecting its inspection soon. 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.

6. 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. 3. For Children's Social Care under the Inspecting Local Authority Children's Services (ILACS) regulatory framework.
Procurement	None
Human Resources	Regulatory inspections assess compliance with HR (Human Resources) policies.
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A x	N/A. No groups could be disadvantaged as a result of this report.
Risk Assessment	Audit Committee reviewing a schedule of incoming inspection reports mitigates the risk of the Council not taking appropriate action in respect of such issues.
Crime & Disorder	None.

Customer Consideration	Ensuring that external inspections are properly followed up provides assurance that service weaknesses are being addressed. 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

7. Background Papers

Care Quality Commission Active Locations Register
NCC (Northumberland County Council) list of school inspections
His Majesty's Probation Inspectorate – Youth Justice Service Inspection Report

8. Report Sign Off

Director of Law and Corporate Governance (Monitoring Officer)	Neil Masson obo Stephen Gerrard
Executive Director of Resources & Transformation [Section 151 Officer]	Jan Willis
Executive Director of Children, Young People and Education	Audrey Kingham
Executive Director of Adult, Ageing and Well being	Neil Bradley
Chief Executive	Helen Paterson
Cabinet Member (s) Councillor Wendy Pattison – Adults' Wellbeing Councillor Guy Renner-Thompson – Children and Young People	Wendy Pattison and Guy Renner-Thompson

9. Author and Contact Details

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Northumberland County Council

AUDIT COMMITTEE

DATE: 27 SEPTEMBER 2023

CORPORATE FRAUD ANNUAL REPORT

Report of Councillor Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services

Lead Officer: Kevin McDonald, Head of Internal Audit and Risk Management

Purpose of report

The purpose of this report is to update Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2022 – 31st March 2023.

Recommendations

It is recommended 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.

Link to 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.

Key issues

- 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.
- 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.

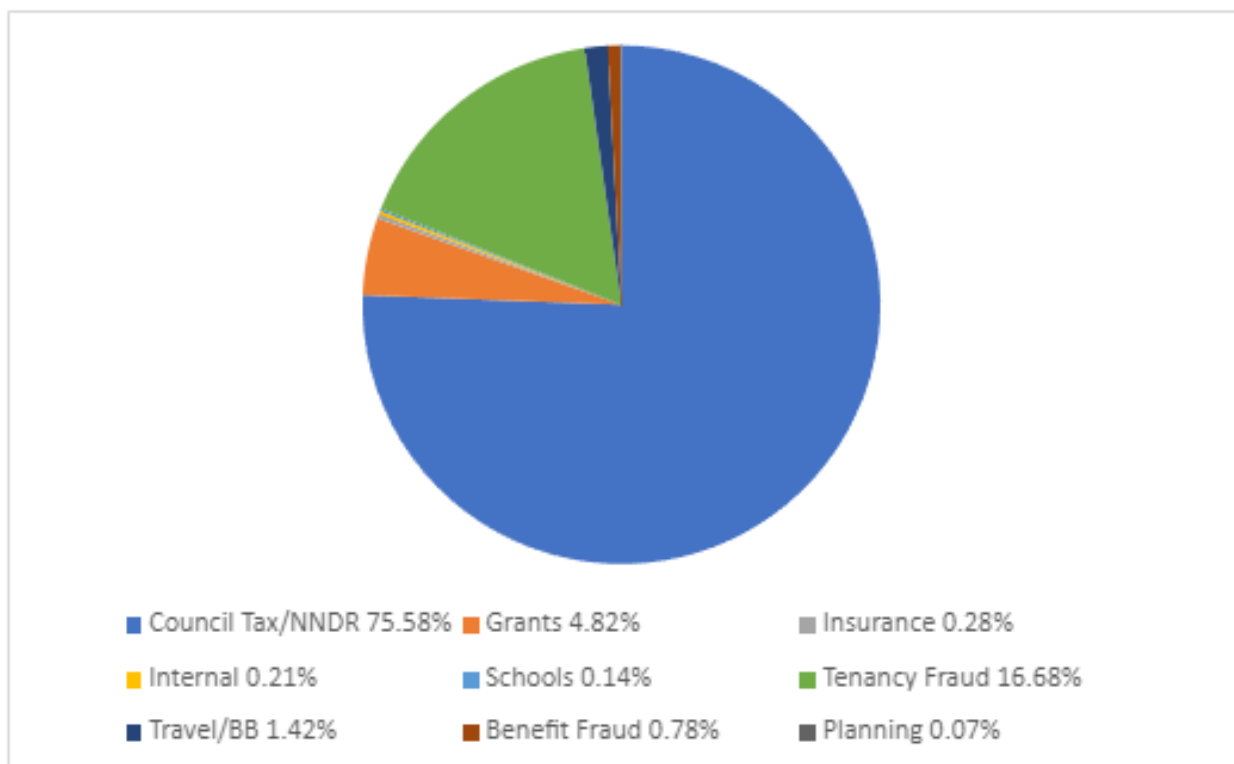
- 3 It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses to provide assurance of the quality and integrity of investigations.

Background

- 4 At the beginning of this reporting period, an interim structure was in place, following a formal consultation process, a permanent structure was agreed to include capacity to deliver a 2-year project to review all households receiving Single Person Discount (SPD) on their Council Tax liability.
- 5 Two fixed-term posts were subsequently created, with the successful applicants commencing employment in August 2022. An Investigating Officer post was filled through external recruitment, with the successful applicant commencing employment in January 2023. Following the formal consultation process undertaken, the Corporate Fraud Team transferred from the Revenues and Benefits Service to the Internal Audit and Risk Management Service in December 2022.

Performance April 2022 – March 2023

- 6 During this 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. The chart below reflects the case categories for the 1,407 referrals closed. Council Tax is by far the largest area of investigation, and a large proportion of these are from the proactive SPD project which launched in October 2022. Further details and results from this project are provided in paragraphs 11 and 12 below.



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

Result Type	Total Achieved	Comment
Housing Tenancy	£336,000	8 NCC properties were recovered and made available to those in need of secure, affordable housing
Right to Buy & Right to Acquire	NCC £1,467,048 Karbon £735,500 Bernicia £890,927	72 received / 26 withdrawn * 12 Received / 1 withdrawn 55 received / 32 withdrawn
Council Tax	£72,271 £116,204	Council Tax Support / Council Tax Reduction (CTR) Single Person Discount
Non-Domestic Rates	£2,255	
Internal / Employee	£8,133	1 case was closed, overpayment only - decision made not to prosecute 1 - caution and overpayment 1 - caution only, there was an overpayment exceeding £20k but we did not include this a result for the CF team as the overpayment was identified prior to the referral being made to us.
Insurance	£9,704	
Covid 19 relief	£129,276	This figure includes business grants and self- insulation payments
Housing Benefit	£139,561	We no longer investigate HB, overpayments are automatically created alongside CTR reassessments
Total	£3,906,879	

Table 1: Investigation Team Performance from 1 April 2022 – 31 March 2023

* In addition to the savings outlined above, the 26 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.

- 8 Additional external income totalling £19,343 was also generated during the period, as detailed in the table below.

Source	Value	Reason
Administration Penalties	£3,743	4 Administration Penalties accepted
Bernicia (RTB)	£16,500	55 Applications x £300
Karbon (RTB)	£3,600	12 Applications x £300
Total	£19,343	

Table 2: Additional income generated from 1 April 2022 – 31 March 2023

- 9 With the relaxing of Covid restrictions the Corporate Fraud Team have been able to return 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 during the period are summarised in the table below.

Sanction Type	Number	Details
Administration Penalty (Only applicable in CTS investigations)	4	1 – Council Tax Support (CTS) overpayment. Joint working case with DWP 1 – Tenancy Fraud & CTS. Property recovered and Council Tax Reduction overpayment. 2 - CTS
Caution	2	Both were school staff. 1 overpayment of wages following end of employment 1 overpayment of wages following a reduction in hours
Total	6	

Table 3: Completed investigations resulting in successful sanctions from 1 April 2022 – 31 March 2023

Preventative Measures

- 10 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	Looking to commence proactive work relating to social housing. In early conversations to provide fraud awareness training and an investigation function to external partners.
Insurance	Additional investigation into cases progressing to litigation or of high suspicion.
Accounts Payable, Payroll, Internal Audit	Arranged cybercrime training – how to identify and prevent becoming a victim of invoice fraud and financial frauds, attended by 51 NCC staff.
Action Fraud	Referrals made and worked with Action Fraud in cases of suspected organised fraud.
Planning and S106 Officers	Reviewed and implemented new and more robust application process for Discounted Market Value sales in the private sector. Provision of ongoing advice and investigation support. Between 28/11/22 - 31/3/22 43 applications received via the new enhanced verification process of these 5 were rejected as applicant failed to provide the necessary verification or were found to be ineligible.
School Organisation and Resources	Reviewed and implemented more robust advice to parents and carers receiving financial support.
Health and Safety Team, Revenues and Benefits Visiting Team	Arranged safety when interviewing training, implemented new staff safety procedures.
Business Grants	Assisted in pre-payment checks and ongoing support with post assurance and debt recovery action.
Fraud Awareness Training	We are designing a fraud awareness package to deliver to NCC staff and members.

Partner	Summary of work
NCC Fraud Risk Assessment	Work currently being finalised to identify and assess fraud risks across service areas within the County Council. This assessment is aiming to identify the risks and the measures already in place to mitigate the risks, to identify proactive priorities for Corporate Fraud resource.

Table 4: Preventative activity undertaken in partnership from 1 April 2022 – 31 March 2023

Single Person Discount (SPD) Project

- 11 A proactive 2-year project launched in October 2022, with the aim of risk assessing and reviewing all households within Northumberland where SPD is applied to Council Tax liability. Approximately 36% of households (56,000) within Northumberland receive Single Person Discount.
- 12 The project uses our data matching system IDIS and is led by an investigating officer who is supported by two SPD officers. Following review of the matches, home visits are undertaken to households identified as high risk. A process to review the medium and low risk matches has been agreed and roll out is expected to commence later this year.
- 13 During this reporting period data was extracted and matched for the following Parishes, which amounted to around 6,200 households, 10% of the total SPD households in Northumberland -
- Pegswood
 - Widdrington Station
 - Ellington
 - East Chevington
 - Newbiggin by the Sea
 - Widdrington Village
 - Lynemouth
 - Stannington
 - Tritlington
 - Ulgham
 - Togston
 - Seaton Valley (* majority of the results for this Parish were not recorded until after this reporting period and therefore not included in this report)
- 14 The results from this project are included in the table at paragraph 7 but can be further broken down to highlight the success of this project. The SPD financial result yielded from this project during the period October 22 – April 23 is £0.1m.
- 15 We are constantly looking to add value to this project and our SPD officers are now also actively aware of other issues when out visiting and have made several reports and referrals relating to:
- Housing Fraud - sublets/abandoned properties,
 - Benefit Fraud
 - Highways – Street lighting, potholes, uneven paving which will in turn assist with insurance claims.

- Debtor tracing
- Safeguarding
- Benefit uptake,
- Council Tax discounts/disregards

Regulation of Investigatory Powers Act 2000 (RIPA)

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

IMPLICATIONS

Area	Assessment
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	<p>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.</p> <p>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.</p> <p>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.</p>
Procurement	None.
Human Resources	None.
Property	None.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	None. An impact assessment is not applicable as the report does not require a key decision.
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 & Disorder	A programme of proactive counter fraud work reduces the potential opportunities for fraud and corruption within the Council's activities.
Customer Consideration	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.
Wards	All.
Consultation	Section 151 Officer

REPORT SIGN OFF

Officer	Full Name
Monitoring Officer/Legal	Neil Masson obo Stephen Gerrard
Executive Director of Transformation & Resources (s151 Officer)	Jan Willis
Relevant Executive Director	Jan Willis
Chief Executive	Helen Paterson
Portfolio Holder(s)	Richard Wearmouth

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Northumberland County Council

Audit Committee

27 September 2023

Annual Report from Audit Committee to Council

Report of Kevin McDonald, Head of Internal Audit & 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 present an Annual Report from Audit Committee to Council for 2022/23, for the agreement of Audit Committee.

3. **Recommendations**

- 3.1 It is recommended that Audit Committee agree the Audit Committee Annual Report for 2022/23, for presentation to Council.

4. **Background**

- 4.1 The Council's Audit Committee is a politically balanced Committee of full Council, with independent co-opted members, including an independent co-opted Chair. The Chartered Institute of Public Finance and Accountancy (CIPFA) views audit committees in local government as a key component of each local authority's governance framework.
- 4.2 CIPFA issues best practice guidance for the operation of Audit Committees in local authorities, and updated guidance was issued by CIPFA in October 2022. CIPFA's best practice guidance includes a requirement to prepare an annual report from the committee to Council. The guidance requires the annual report to detail the work of the committee, demonstrate how the committee has fulfilled its responsibilities, and provide assurance to Council over those areas within its terms of reference.
- 4.3 An annual report from Audit Committee to Council for 2022/23, in accordance with CIPFA's best practice guidance, is attached as **Appendix A**.

5. Options and reasons for the recommendations

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

Option 1

Audit Committee agrees the Audit Committee Annual Report for 2022/23.

Option 2

Audit Committee does not agree the Audit Committee Annual Report for 2022/23.

Option 1 is the recommended option. It is good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) that Audit Committee prepare an annual report for presentation to Council, in order that Council is aware of the main governance matters which have been considered by Audit Committee during 2022/23 and the outcomes of the self-assessment and current review of Audit Committee arrangements.

6. Implications

Policy	<p>The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.</p> <p>The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference.</p>
Finance and value for money	<p>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.</p> <p>There are no financial implications arising from the recommendations set out in this report. Financial implications of matters reported to Audit Committee throughout the year are assessed and included as part of individual reports on the Committee's agenda during the year.</p>
Legal	<p>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". This report details Audit Committee's compliance with the requirements of CIPFA's guidance.</p>
Procurement	<p>There are no specific procurement implications within this report.</p>
Human resources	<p>There are no specific human resources implications within this report.</p>

Property	There are no specific property implications within this report.
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 specific risk assessment implications within this report. Risks and opportunities identified in matters reported to Audit Committee are managed in accordance with the Council's established risk management processes.
Crime and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	There are no specific customer consideration implications 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.

7. **Background papers**

Not applicable

8. **Links to other key reports already published**

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, and Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition, CIPFA, October 2022

Review of Audit Committee Arrangements Report to Audit Committee, Report of Head of Internal Audit & Risk Management, 30 November 2022

9. **Author and Contact Details**

Kevin McDonald, Head of Internal Audit & Risk Management
Email: Kevin.McDonald@northumberland.gov.uk

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Audit Committee Annual Report 2022/23

September 2023

Role of Audit Committee

The role of audit committees in local government has grown and developed extensively in recent years. The main professional body which issues guidance regarding local government audit and financial governance matters is the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA has published a Position Statement and accompanying guidance on Audit Committees in Local Authorities. This Position Statement and guidance details how the audit committee is a key component of an organisation's governance arrangements and has the potential to be a valuable resource for the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. CIPFA's guidance sets out the following principal areas where audit committees can exert influence and add value:

- Aiding the achievement of the authority's goals and objectives by helping ensure appropriate governance, risk, control and assurance arrangements
- Promoting the principles of good governance and how they are applied during decision making
- Raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- Supporting arrangements to govern risk and for effective arrangements to manage risk
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority
- Reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions
- Supporting the development of robust arrangements for ensuring value for money
- Helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption
- Promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.

The Position Statement defines the specific responsibilities of an audit committee as:

Maintenance of governance, risk management and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - Oversee its independence, objectivity, performance and conformance to professional standards
 - Support effective arrangements for internal audit
 - Promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit Committee Meetings 2022/23

The Audit Committee met formally on six occasions during 2022/23. All meetings were quorate and took place face to face at County Hall. In addition to Committee Members, the Head of Internal Audit and Risk Management, the Section 151 Officer, Monitoring Officer (or representative), External Auditor (Mazars) and other officers as appropriate, attended all Audit Committee meetings.

The Committee's work programme for 2022/23 was agreed by Audit Committee in March 2022. The work programme was developed in order that Audit Committee agreed the core business of Audit Committee, whilst able to receive additional reports on any ad-hoc items of business during the year. This helps ensure that 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, and some additional reports were received and considered by Audit Committee during the year. A total of 48 reports were considered by Audit Committee during the year, details of which are provided in Annex A. At the beginning of each meeting, the Committee's work programme was reviewed and progress against actions required was monitored.

Audit Committee's programme of work during 2022/23 culminated in the agreement of the Council's Annual Governance Statement at its meeting in July 2023.

Key Highlights from the Work of Audit Committee

Key highlights from the Committee's work during the year included:

Internal Audit

Audit Committee received a number of reports from Internal Audit during the year. These reports included:

- the Chief Internal Auditor's Annual Opinion on the Framework of Governance, Risk Management and Control for 2021/22, which stated that the Council's systems of internal control and risk management were satisfactory overall but drew attention to specific aspects of governance where weaknesses required strengthening;
- summaries of the outcomes of Internal Audit's reports, detailing the audit objectives of each assignment, the number of high, medium and low priority recommendations made, any areas of good practice identified, and key findings / issues identified from the audit with management comment on action taken in response to audit recommendations;
- the Strategic Audit Plan for 2022/23 and update reports relating to the delivery of the plan during the year, reflecting the evolving nature of risks and subsequent changes in assurance coverage required during the year.

As part of its role in overseeing arrangements for an effective Internal Audit, Audit Committee agreed an updated Internal Audit Charter, a Quality Assurance and Improvement Programme and a self-assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) following the cessation of the shared Internal Audit service with North Tyneside Council, ahead of a scheduled external assessment of compliance, in accordance with the PSIAS.

External Audit

Audit Committee received a number of updates from the Council's external auditor, relating to the progress of audits in relation to the audit of 2020/21 and 2021/22 accounts, and Value for Money opinion for 2019/20, 2020/21 and 2021/22. External audit's work in relation to the audit of 2020/21 has been paused, pending resolution of an outstanding national issue relating to the reporting of infrastructure within local authorities' accounts. Reports included Mazars' audit approach, highlighted significant audit risks and areas of key judgements from work undertaken. The external auditor's consideration and conclusion on Mazars' independence as auditors was also considered and agreed by Audit Committee.

Finance

The Annual Governance Statement is a significant report considered by Audit Committee each year. During the year, Audit Committee received and considered the draft Annual Governance Statement for 2021/22 which detailed the review of

governance reported. Audit Committee agreed that it properly reflected the risk environment of the Council and supporting assurances, including Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

A number of reports were also received from Finance, relating to the Council's Statement of Accounts for 2022/23. Reports received and considered by Audit Committee throughout the year included consideration of 'going concern status' for the Council's Statement of Accounts, agreement of a timetable for preparation and publication of the Council's accounts, agreement of updated accounting policies used in the preparation of the Statement of Accounts, and a review of the Council's Group Accounting Boundary.

The Council is required to set out and prepare a Treasury Strategy for borrowing and prepare an Investment Strategy annually. The Treasury Management Strategy Statement for 2023/24 was considered and agreed by Audit Committee, in addition to receiving reports providing a review of Treasury Management activity and performance against the previously agreed Treasury Management Strategy for 2022/23.

Risk Management

Reports were received by Audit Committee, providing updates on progress with the development, implementation and embedding of risk management within the County Council. Reports also provided details of the latest position of the Council's corporate risks following review by the Executive Management Team and Cabinet portfolio holders.

External Inspections

Regular reports are received by Audit Committee in relation to external inspection activity and reports regarding Adults Social Care and Children's Services. Reports provide details of inspection outcomes and associated actions taken by the Council, in order that Audit Committee can be aware of external inspection results, receive assurance that appropriate action is being taken as necessary and assess the effectiveness of actions taken by the Council.

Counter Fraud

The Committee receives regular reports on counter-fraud activity, undertaken by the Council's dedicated Corporate Fraud Team. Reports provide an update on instances of suspected fraud identified and investigated, outcomes of counter-fraud activity and steps taken to recover any monies owed to the Council.

Group Audit Committee

The Council's Audit Committee fulfils the role of 'Group Audit Committee' for all entities operating within the County Council's accounting group boundary. In order for Audit Committee to fulfil its responsibilities as Group Audit Committee, an update is provided at every meeting of Audit Committee summarising details of the Internal Audit Plan and any internal audits completed within each non-dormant entity,

allowing governance oversight of all entities within the accounting group boundary. In addition, the Chair of Audit Committee has attended meetings of Advance Northumberland Audit Committee as an observer during 2022/23.

Governance

A number of additional reports were received by Audit Committee, in relation to governance matters identified and reported to the Council early in the 2022/23 year.

The Council's Section 151 Officer issued a report under s114 and s114A of the Local Government Finance Act 1988, on 23 May 2022. The report explained the Section 151 Officer's view that the Council had incurred items of unlawful expenditure and recommended further action be taken by the Council.

Prior to this, during 2021/22, the Leader of the Council had commissioned an Independent Governance Review which was undertaken by Solace in Business, led by Max Caller CBE. The findings from this review were reported to the County Council meeting on 8 June 2022. A number of governance issues were identified, and an independent Challenge Board subsequently supported the Council following the review.

Throughout 2022/23 and into 2023/24, the Council has implemented a number of actions in response to the recommendations arising from both the Independent Governance Review and the Section 151 Officer's s114 Report. Progress on the implementation of recommendations, and the associated impact of the framework of governance, risk management and control, have been reported to Audit Committee, with reports from the independent Challenge Board also considered.

Audit Committee Arrangements and Effectiveness

It is good practice to undertake an annual review of our Audit Committee arrangements and to review effectiveness. Using CIPFA's updated Position Statement and guidance, a self-assessment of our existing arrangements was considered by Audit Committee at its meeting in November 2022. The self-assessment was undertaken in conjunction with the Chair and Vice Chair of Audit Committee and demonstrated that our Audit Committee arrangements already reflected a number of the good practice areas recommended by CIPFA.

Some areas were highlighted in the self-assessment where further development was needed to ensure that the good practice recommended by CIPFA was fully reflected. These included ensuring that the Terms of Reference fully reflected the updated CIPFA guidance, preparation of an annual report from Audit Committee to Council and evaluating the required knowledge, skills and associated training and support for Audit Committee members. Some minor amendments to Audit Committee's Terms of Reference were included as part of the updated Constitution agreed by Council in May 2023, to ensure that the Terms of Reference fully met the requirements of the updated Position Statement and accompanying guidance. A wider review of Audit Committee arrangements is currently in the process of being undertaken with Audit Committee members and Chair of Audit Committee, to develop a plan of actions which may be needed to ensure that CIPFA's latest good practice is fully reflected. This includes the knowledge and skills required by Audit Committee and our

arrangements in place to ensure that Audit Committee receives an appropriately structured programme of training and support.

In addition, the independent co-opted Chair of Audit Committee has attended all meetings of a regional North East Audit Committee Chairs' Forum, supported by the Local Government Association (LGA), during 2022/23.

Assessments of Audit Committee arrangements will continue to be undertaken on an annual basis, in accordance with CIPFA's good practice guidance. The outcomes of the next self-assessment and review will be reported to Council in the next annual report.

Conclusion

Over the past year the Audit Committee has undertaken a structured programme of work to gain assurance that governance, risk management and control systems are in place across the Council and are reliable and secure.

This report provides a summary of the range of work undertaken by Audit Committee, which has enabled it to fulfil its Terms of Reference and comply with the requirements of CIPFA's Position Statement for Audit Committees in Local Authorities and Police 2022. The Committee looks forward to developing its work programme and further developing its effectiveness to assure and support Council as the current year progresses.

The Audit Committee would like to extend its appreciation to all officers who have contributed reports and responded to questions raised by Audit Committee members.

Summary of Reports considered by Audit Committee in 2022/23

Meeting Date	Governance Matters Considered
25 May 2022	2021/22 Internal Audit Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control Key Outcomes from Internal Audit Reports Issued between November 2021 and May 2022 External Audit Progress Report Strategic Audit Plan 2021-22 – Final Monitoring Statement Risk Management Update Group Audit Committee – Advance Northumberland Internal Audit Update
27 July 2022	KPMG Forensic Independent Review of Advance Northumberland Group S114 Report by S151 Officer Review of External Inspection Reports – Adult & Children’s Services Internal Audit Charter External Audit Update on Audit of 2020-21 Statement of Accounts Group Audit Committee – Advance Northumberland Internal Audit Update Risk Management Update
28 September 2022	Consideration of ‘Going Concern Status’ for Statement of Accounts for year ended 31 March 2022 Treasury Management Annual Report for 2021-22 Annual Governance Review and Annual Governance Statement 2020/21 Annual Report of Firefighters’ Pension Scheme Local Pension Board 2021-22 External Audit Progress Report Group Audit Committee – Advance Northumberland Internal Audit Update
30 November 2022	International Investigation Update Audit Committee Arrangements Key Outcomes from Internal Audit Reports Issued between May 2022 and October 2022 Strategic Audit Plan 2022/23 – Interim Monitoring Statement Treasury Management Mid-Year Review – 1 April to 30 September 2022 Corporate Fraud Team Annual Report 2021/22 External Auditor’s Audit Strategy Memorandum – year ending 31 March 2022

External Audit update on Audit of 2021/22 Statement of Accounts
Group Audit Committee – Advance Northumberland Internal Audit Update

25 January 2023

Response to the Challenge Board Interim Report 1 to Member Oversight Group
Changes to the Code of Practice for Local Authority Accounting in the UK for 2022/23
Treasury Management Strategy Statement for Financial Year 2023/24
Statement of Accounts 2022/23: Timetable for publication and update on Accounting Policies to be applied in preparation of 2022/23 Statement of Accounts
Annual Governance Review and Draft Annual Governance Statement 2021/22
Review of Exit Packages
Preparation of Strategic Audit Plan 2023/24
Public Sector Internal Audit Standards
External Audit Progress Report
Advance Northumberland Executive Management Response to 2021 KPMG Report
Group Audit Committee – Advance Northumberland Internal Audit Update

29 March 2023

Audit Committee Work Programme 2023/24
Review of External Inspection Reports – Adult Social Care & Children's Services
Corporate Fraud Interim Report
Statement of Accounts – Group Boundary Review
Statement of Accounts 2020/21
External Audit Completion Report 2020/21
Group Audit Committee Update
Corporate Risk Management
Strategic Audit Plan 2023/24

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Audit Strategy Memorandum

Northumberland County Council

Year ending 31 March 2023

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Agenda Item 8

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- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements
- A** Appendix A – Key communication points
- Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to Northumberland County Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee Members
Northumberland County Council
County Hall
Morpeth
Northumberland
NE61 2EF

September 2023

Dear Members

Mazars LLP
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Northumberland County Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Northumberland County Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

If we identify any risks or changes to our planned strategy following completion of our planning, we will ensure we communicate these to the Audit Committee.

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07813 752 053.

Yours faithfully

Signed: `{{_es_:_signer1:signature}}`

Cameron Waddell

Mazars LLP

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Northumberland County Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

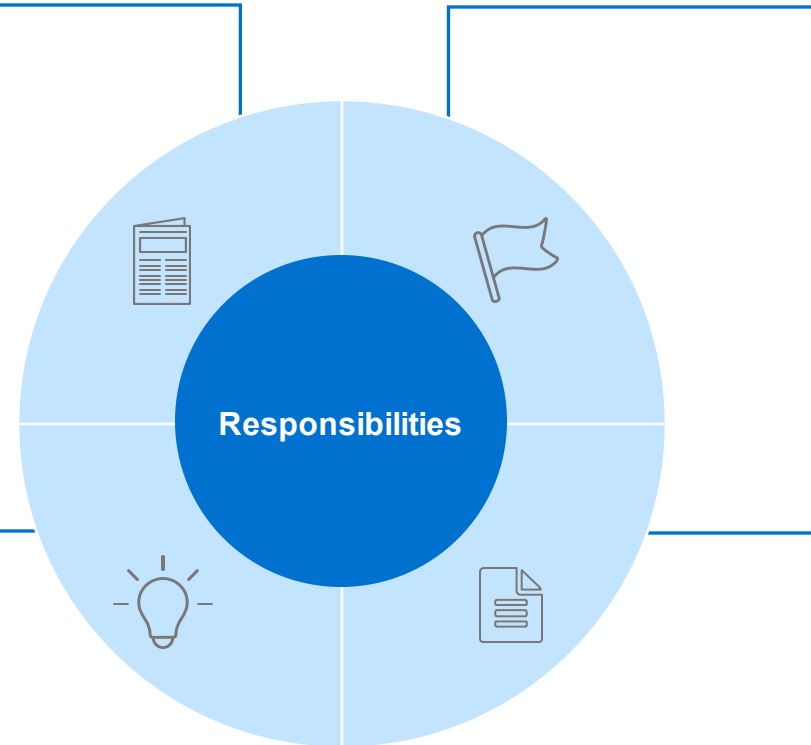
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

The Executive Director of Transformation and Resources is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Executive Director of Transformation and Resources' use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

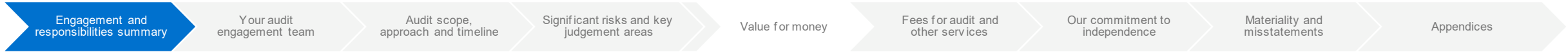
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

Your audit engagement team

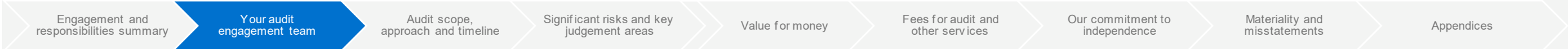
2. Your audit engagement team

Your external audit service will continue to be led by Cameron Waddell

Who	Role	Contact
Cameron Waddell	Partner and Audit Engagement Lead	cameron.waddell@mazars.co.uk 07813 752 053
Jim Dafter	Engagement Manager	jim.dafter@mazars.co.uk 07815 876 042
Ian Rutter	Engagement Team Leader	ian.rutter@mazars.co.uk 07881 283 347

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The Council continues to meet the criteria of a Major Local Audit under the Local Audit and Accountability Act 2014. As a result, as part of the firm’s quality management arrangements we appoint an engagement quality reviewer (EQR) who works closely with Cameron and the team but has no direct engagement with the Council. We will ensure that the timing of the EQR input is built into our planned timetable for the delivery of the audit.



03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

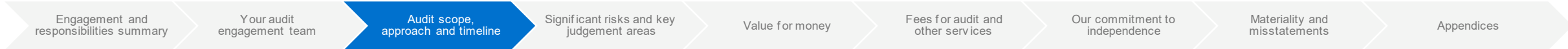
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Our proposed timeline for undertaking the audit is summarised below.

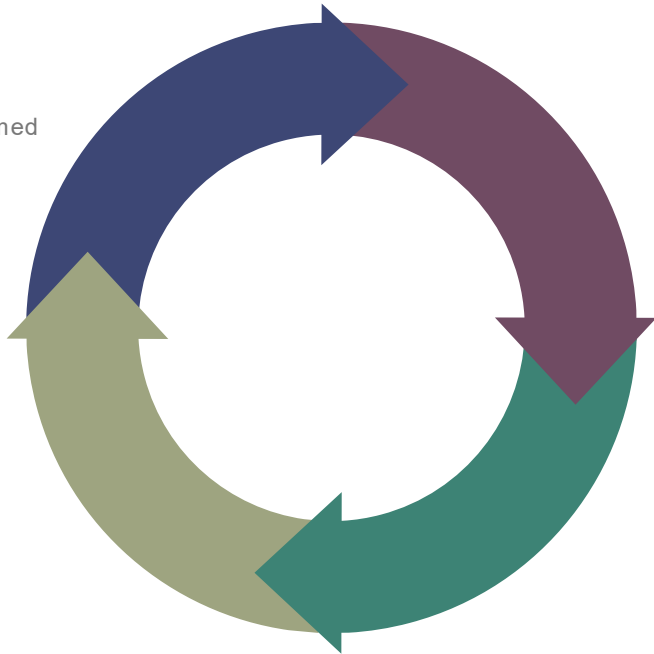
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Planning and Risk Assessment (July to October 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion (January 2024)

- Final review and disclosure checklist of financial statements
- Final partner and EQR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor's report

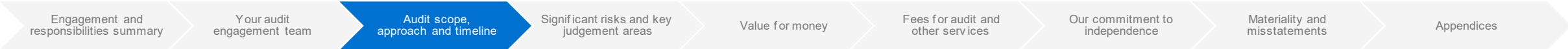


Interim (October 2023)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (October to December 2023)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- ATS hot review of financial statements
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Group audit approach

In line with the requirements of the CIPFA Code of Practice, the Council has considered its interests in other entities and determined that group accounts are required which will consolidate its interest in Advance Northumberland only. This section sets out the planned work in respect of those entities which we refer to here as components.

Group materiality

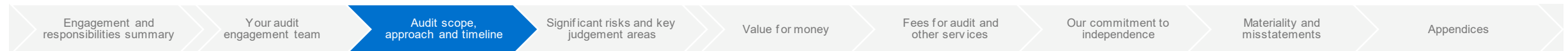
Our assessment of group materiality is set out in section 8.

We assess the significance of the component as part of determining the level of work required. In assessing the significance of components, we consider a range of quantitative and qualitative factors including:

- whether a component exceeds a minimum of 15% of key benchmarks (income, expenditure, assets and liabilities);
- whether any financial statement area (FSA) is greater than 15% of the relevant FSA in the consolidated accounts and greater than performance materiality; and
- whether there are any risks of material misstatement in the components likely to result in material misstatement in the group financial statements.

Our assessment is summarised in the table below.

Entity	Nature of component / ownership	Auditor	Significant in terms of benchmarks?	Significant risk of material misstatement?	Commentary
The Council	Parent – local authority.	Mazars LLP	Yes	Yes	Full audit of ultimate parent.
Advance Northumberland Group Limited	100% owned company of the Council. The principal activities of the Company are in relation to housing, commercial property, regeneration and business growth.	Robson Laidler	Yes	Yes	Material transactions and balances exist in relation to investment properties, work in progress (developments for sale outside the group), borrowings, gross income and gross expenditure



3. Audit scope, approach and timeline

Group audit approach (continued)

Nature and scope of planned work

The table below sets out the estimated proportion of each component, relative to the overall Group, as well as the nature and scope of planned work. Note these are estimates and we will update our assessment for any significant changes. This work is in addition to our review of group-wide controls and the consolidation process.

Group materiality

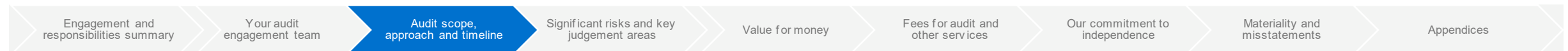
Our assessment of group materiality is set out in section 8.

Nature of work

Planned procedures are split into the following categories:

- full scope audit;
- limited or specific review; and
- other audit procedures, including group analytical procedures.

Component	% of Group Assets	% of Group Net Assets	% of Group Results before Tax	% of Group Revenues	% of Group Expenditure	Nature and scope of work
The Council	83	65	104	94	97	Full scope audit
Advance Northumberland Group Limited	17	35	-4	6	3	Review and evaluation of work undertaken by auditors of Advance (Robson Laidler) in relation to investment properties, work in progress, borrowings, gross income and gross expenditure.
	100	100	100	100	100	



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

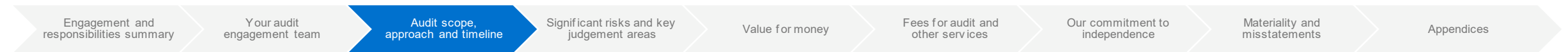
Management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt Limited (Actuary)	National Audit Office, prepared by PwC.
Property, plant and equipment (including investment property)	Bruton Knowles (Valuer)	We will take into account relevant information which is available from third parties, including the NAO’s consulting valuer (Montagu Evans)
Financial instrument disclosures	Link Asset Services	We do not typically engage an audit expert to assess the reasonableness for your expert’s financial instrument valuation estimates. Where this is required we will engage our own internal experts

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council and Group that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

There are no material service organisations to consider for this Council.



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but do not rise to the level of a significant risk, these include but may not be limited to:

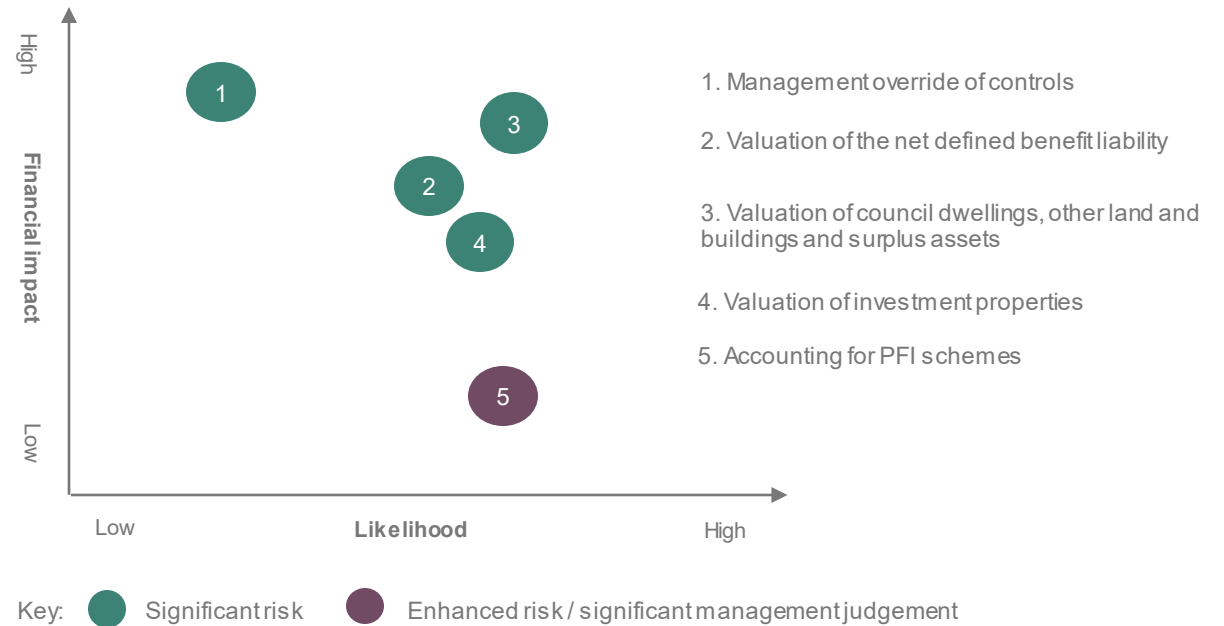
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



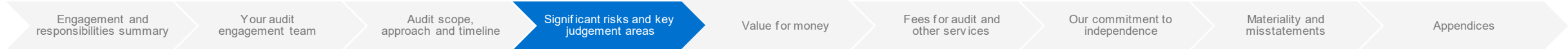
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

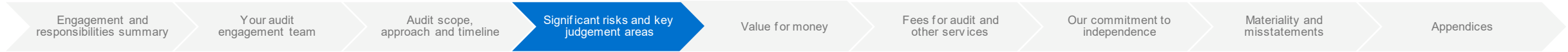
	Description	Fraud	Error	Judgement	Planned response
1 Page 80	<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, testing a sample of journals that meet our risk criteria and significant transactions outside the normal course of business or otherwise unusual.</p>



4. Significant risks and other key judgement areas

Significant risks

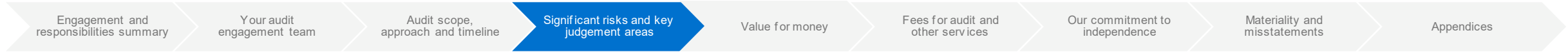
	Description	Fraud	Error	Judgement	Planned response
Page 81	<p>2 Net defined benefit liability valuation</p> <p>At 31 March 2023, the draft financial statements included asset defined benefit liability of £248m, a significant reduction of £509m compared to the previous year.</p> <p>The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office; critically assess the competency, objectivity and independence of the Actuary; liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively; compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements. <p>We will also request the auditor of the pension funds to carry out testing of the membership data that the Council has provided to the actuary as part of the 31 March 2022 triennial valuation.</p>



4. Significant risks and other key judgement areas

Significant risks

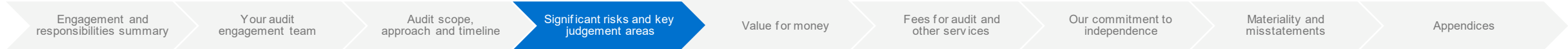
	Description	Fraud	Error	Judgement	Planned response
Page 82	<p>3 Valuation of council dwellings, other land and buildings and surplus assets (Group and Council)</p> <p>At 31 March 2023, the draft financial statements included £355m of Council dwellings, £530m of other land and buildings and £16m of surplus assets.</p> <p>Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> critically assess the Council's arrangements for ensuring that property, plant and equipment valuations are reasonable and not materially misstated; critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers, including the PFI shared waste facility; consider the competence, skills and experience of the valuers and the instructions issued to the valuers; substantively test revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 83	<p>4 Valuation of investment property (Group)</p> <p>At 31 March 2023, the draft financial statements included £259m of investment property, of which £257m is held by its wholly owned subsidiary Advance Northumberland Limited.</p> <p>Although the Council and Advance Northumberland Limited employ valuation experts to undertake annual revaluations of the investment property portfolio, there remains a high degree of estimation uncertainty associated with the (re)valuations of these assets due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> critically assess the Council's arrangements for ensuring that investment property valuations included within the Group financial statements are reasonable and not materially misstated; critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuer; consider the competence, skills and experience of the valuer and the instructions issued to the valuer; substantively test revaluations and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

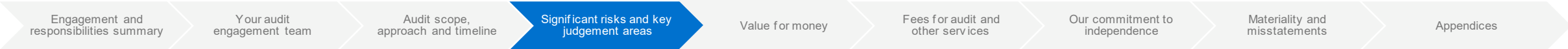


4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
5	<p>Accounting for Private Finance Initiative (PFI) schemes</p> <p>The Council controls the services provided under the contracts for both Waste Management and Fire and Rescue PFI schemes. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the associated assets (valued at £70.471 million for Waste and £11.499 million for Fire and Rescue) are recognised on the Council's balance sheet.</p> <p>The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> • review the Council's adopted approach for accounting for its PFI arrangements; • review any changes from prior years to the long term financial model used; • critically review the assumptions made by management; and • assess the completeness and accuracy of disclosures.

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05

Section 05: **Value for money**

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5. Value for money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and members

Additional risk based procedures and evaluation

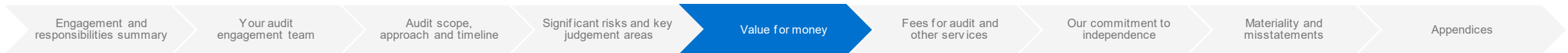
Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- Significant weaknesses identified and our recommendations for improvement
- Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

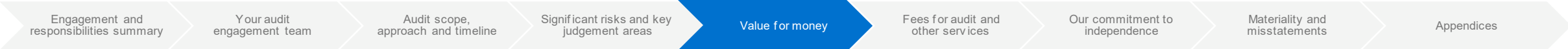


5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. As a consequence of the delayed completion of previous years' audits we have not yet fully completed our planning and risk assessment work. Once completed, we will report our initial risk assessment to the Audit Committee.

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06

Section 06:

Fees for audit and other services

Page 88

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments (PSAA).

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Code Audit Work	£178,840*	£170,000 **

* Fee includes a 5.2% inflationary increase required under PSAA's current audit contracts. This increase will be funded by PSAA from the surplus which would otherwise be distributed to opted-in bodies.

** The fee shown for 2021/22 represents the scale fee as set by PSAA but does not include any variations for additional work carried out. The final fee for the 2021/22 audit has not yet been agreed as work to complete the audit remains ongoing.

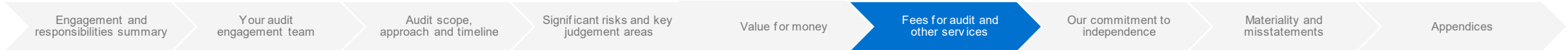
Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we anticipate being separately engaged by the Council to carry out additional work as set out in the table below.

Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Assurance services: Housing Benefit Subsidy return	£10,930	£10,610
Assurance services: Teachers' Pension return	£4,380	£4,250
Assurance services: Pooling of Housing Capital Receipts	£3,380	£3,280

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07

Section 07:

Our commitment to independence

Page 90

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

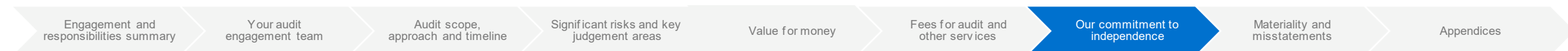
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- pre-approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report. Principal threats to our independence and identified associated safeguards in relation to the non-audit work listed in section 6 are summarised below.

Area	Perceived threat	Safeguards and procedures
Assurance services: <ul style="list-style-type: none"> • Housing Benefits Subsidy Assurance, • Housing Capital Receipts return and • Teachers' Pension return 	Self Review	No threat identified. Neither engagement result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as neither engagement require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as neither engagement require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.



08

Section 08:

Materiality and misstatements

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1. Audit progress (continued)

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

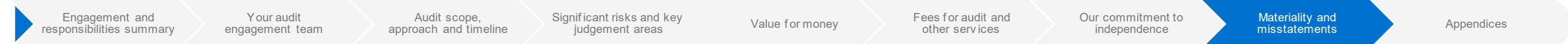
Our provisional materiality, based on the draft 2022/23 accounts is set based on a benchmark of

gross expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that total operating expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

Summary of initial materiality thresholds

Threshold	Initial threshold Council £'000s	Initial threshold Group £'000s
Overall materiality	20,622	21,310
Performance materiality	14,435	14,917
Trivial threshold for errors to be reported to the Audit Committee.	619	639



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure. Based on the draft year end financial statements, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £20.622 million for the Council and £21.310 million for the Group (prior year at the planning stage was £18.032 million for the Council and £18.735 million for the Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 70% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

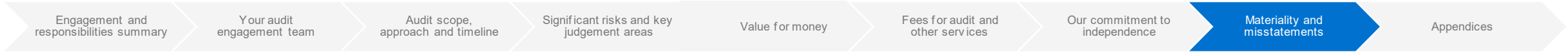
Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £619,000 for the

Council and £639,000 for the Group based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

The above documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

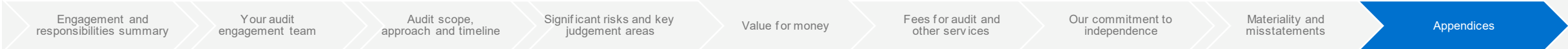
Appendices

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Audit Committee, Audit planning and clearance meetings

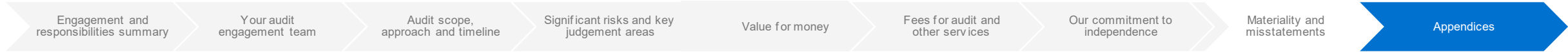
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Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

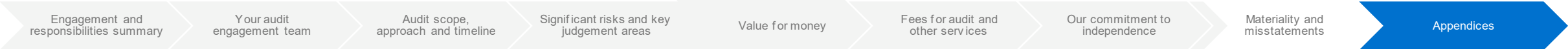
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Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

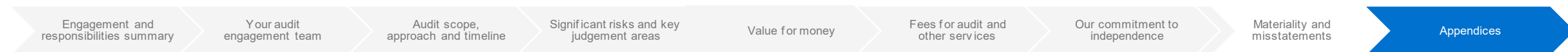
Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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