

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.....

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.

Ch.'s Initials.....

- (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.

Ch.'s Initials.....

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).

Ch.'s Initials.....

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.

Ch.'s Initials.....

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

Ch.'s Initials.....

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.

Ch.'s Initials.....

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.

Ch.'s Initials.....

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.

Ch.'s Initials.....

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.

Ch.'s Initials.....

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.....