

## AUDIT COMMITTEE

31 January 2024

### International Lessons Learned Review - Update

Report of Jan Willis, Executive Director of Transformation and Resources and S151 Officer

---

#### 1. Purpose of the Report

- 1.1. To update the Committee on progress in implementing the recommendations of the international lessons learned review commissioned following the issue of the S151 Officer's S114 report in May 2022.

#### 2. Recommendations

- 2.1. To note the progress in implementing the action plan.

#### 3. Link to the Corporate Plan

- 3.1. This report is consistent with the priorities in the Corporate Plan 2023-26 "Achieving Value for Money".

#### 4. Background

- 4.1. In May 2022 the Council's S151 Officer issued a report under S1114 and S114a of the Local Government Finance Act 1988 informing Council that in her view it was likely that the Council had incurred items of unlawful expenditure between 2017 and 2021 as a result of providing international consulting services on a commercial basis outside of a company as required by the Localism Act 2011 and paying an international allowance to the Chief Executive without proper approval and in contravention of the Council's pay policy statement.
- 4.2. At its meeting on 27 July 2022 the Committee agreed the terms of reference at Appendix 1 for an independent investigation into the circumstances that gave rise to the unlawful commercial trading.
- 4.3. The purpose of the investigation was to:
  - Draw out key lessons to be learned.
  - Identify where the council's processes for ensuring commercial trading activities are undertaken on a lawful basis and subject to appropriate oversight and reporting are fit for purpose fell short of both standard and best practice.
  - Make recommendations for addressing any weaknesses identified.

4.4. Mr John Gilbert, an experienced ex local authority Chief Executive, was subsequently commissioned to undertake the investigation and reported his findings to the Committee on 26 July 2023. This report provides an update on progress in implementing the recommendations agreed by the Committee.

## 5. Key Issues

5.1. Progress updates are highlighted in bold in the table below.

Recommendation	Response	Responsible Officer
Prior to any pre-trading activities taking place, there should be a gateway process, where potential commercial ideas are presented to a Council formulated Committee/Board.	Agreed. <b>A gateway process was agreed by Cabinet in November 2022. No new commercial proposals have come forward.</b>	<b>Completed</b> Director of Law & Governance
Consideration should be given to expanding your Risk Approval Panels Terms of Reference, as a vehicle for evaluating potential trading propositions and advice to the Shareholder Committee going forwards.	The membership and terms of reference of the Risk Appraisal Panel are as follows:- Membership Chairman of the Council (Chair) Leader of the Council (Vice-Chair) Deputy Leader of the Council Leaders of the Opposition Groups Chief Executive Monitoring Officer Executive Director of Finance & Section 151 Officer Plus relevant Cabinet Member dependent upon the project under discussion. Terms of Reference to consider the risks to the County Council associated with a project. <b>See Constitution for revised terms.</b>	<b>Completed</b> Director of Law & Governance
The Council should seek independent assurance that commercial risks are being	A review of the Council's risk management processes, in conjunction	<b>In progress</b> Chief Internal

<p>evaluated and recorded on the strategic risk register.</p>	<p>with the Executive Management Team, was identified for 2023/24. This review is now in progress and this recommendation will be considered as part of that review.</p> <p>A fundamental review of the Council’s corporate risks has taken place with a new corporate risk register agreed by Cabinet in December 2023. Work is ongoing to update the Council’s Risk Management Framework and to consistently align and update all Service Strategic risk registers. This recommendation is in the process of being implemented as part of that work.</p>	<p>Auditor</p>
<p>The Chief Internal Auditor should meet every director on a bi-annual basis to understand operational challenges and concerns, with a view to ensure that the annual audit plan is robust. The outcome of the summary formulated from those meetings should then be initially presented to the meeting of the 3 statutory officers.</p>	<p>The Chief Internal Auditor meets formally with each director annually as part of the audit planning process. This includes the s151 Officer. Outcomes from the audit planning process are reported to ‘senior management’ (Executive Management Team) and the ‘Board’ (Audit Committee) in accordance with the Public Sector Internal Audit Standards.</p> <p>The Chief Internal Auditor attends meetings of the Executive Management Team on a bi-monthly basis and has already identified an action to</p>	<p><b>Completed</b></p> <p>Chief Internal Auditor</p>

	<p>increase engagement with individual directors during 2023/24.</p> <p>The Chief Internal Auditor already meets with the s151 Officer on a monthly basis.</p>	
<p>The Audit Committee should gain feedback from all members of the Council on an annual basis, as to what they believe should be on the Chief Internal Auditor's annual audit plan.</p>	<p>Development of the Internal Audit Plan is the responsibility of the Chief Internal Auditor.</p> <p>As part of developing the Internal Audit Plan, the Chief Internal Auditor undertakes engagement with a number of stakeholders, including Audit Committee (individual members and as a collective body). This recommendation will be discussed with Audit Committee.</p> <p><b>To be discussed with Audit Committee as part of agreement of approach to development of 2024/25 Internal Audit Plan, at Audit Committee in January 2024.</b></p>	<p><b>In progress</b></p> <p>Chief Internal Auditor</p>
<p>To further support this process, the Monitoring Officer should maintain a register of all commercial trading activities going forwards and give assurance that such activities are lawful.</p>	<p>A register of all commercial trading will be kept by the council and legal advice will be sought on all proposed activities. <b>There are none apparent at present. Work is being undertaken to assure this position.</b></p>	<p><b>Completed</b></p> <p>Director of Law &amp; Governance</p>
<p>The Monitoring Officer should issue formal advice setting out</p>	<p>The process of granting and recording delegations</p>	<p><b>Completed</b></p>

<p>clear principles of decision making. This advice should include requirements for recording of decisions taken by officers under delegated authority.</p>	<p>is under review. In the light of that review any changes will be made in accordance with the appropriate process. <b>The process of granting and recording delegations has been reviewed and is being rolled out with appropriate training.</b></p>	<p>Director of Law &amp; Governance</p>
<p>The Monitoring Officer should issue formal advice on members' rights to information and act as an escalation point for members in circumstances where they are unable to obtain information they are entitled to.</p>	<p>While the process and members entitlement to information is set out in the constitution the Director of Law and Governance will issue succinct guidance to members and officers, including details of how members can raise concerns. <b>Members rights to information has been clarified and the use FOIs has by members has fallen to effectively zero.</b></p>	<p><b>Completed</b> Director of Law &amp; Governance</p>
<p>The Monitoring Officer should tighten up the arrangements for the commissioning of any external legal advice and should be the key statutory officer to formally request/sign off any external legal instructions with a copy retained by the legal team.</p>	<p>All relevant officers will be reminded of the requirement to commission all legal work with the support of the in-house team. <b>All relevant officers know of the requirement to commission all legal work with the support of the in-house team. This is now becoming standard practice.</b></p>	<p><b>Completed</b> Director of Law and Governance</p>
<p>Each Cabinet member should have a personal development plan as part of their annual appraisal process.</p>	<p>The Council recently refreshed and rolled out Member Personal Development Plans. This happened in consultation with Member Services</p>	<p><b>Completed</b> Director of Law and Governance</p>

	Working Group and Group Leaders and PDPs were shared with all Members in March 2023.	
Bespoke training should be provided for any new members and/or Cabinet members, including understanding company legislation.	This will be provided as required and on request.	<b>Completed</b> Head of Member Services
There needs to be a continual monitoring of the Council's Constitution to ensure that it picks up issues regarding schemes of delegation and levels of authorisation.	This has been and remains the role of the Director of Law of Governance. A review of current arrangements is being undertaken. Members will be advised of the conclusions.	<b>Completed</b> Director of Law & Governance
The S151 Officer should undertake an analysis of financial and procedural rules around commercial trading authority, as well as any schemes of delegation for approval of contracts of this type.	A review of finance and contract procedure rules is being undertaken following updates to the Council Constitution in May 2023. <b>Revisions to finance and contract procedure rules will be presented to Council for approval at the May AGM.</b>	<b>In progress</b> Executive Director of Transformation and Resources
Establish a programme of regular Cabinet/senior officer awaydays to ensure that there is cohesion and alignment and positive relationship building between senior officers and members going forwards.	This has commenced. There now exists a Strategic EMT meeting in the four-week cycle of EMT meetings and strategic issues flow into SLT meetings.	<b>Completed</b>
The S151 Officer should issue guidance on accounting and financial management requirements for all commercial trading activities. Once agreement that internal support services are to be provided these	This is in progress. <b>Guidance will be incorporated in revised finance and contract procedure rules which will be presented to Council for approval at</b>	<b>In progress</b> Executive Director of Transformation and Resources

should be established and agreed through formal SLAs.	<b>the May AGM.</b>	
Upon the establishment of any future cross-council officer working group, any officers deployed to that group should keep written records of correspondence with their director and/or statutory officer. Furthermore, minutes of meetings of cross-council groups are shared appropriately, including the statutory officers, and available to be discussed at their monthly meetings.	Agreed and is now the practice.	<b>Completed</b>
There is a comprehensive review of officer training to ensure that is tailored to role, responsibility and risk, especially around government legislation. It should specifically include the key 'formal roles' that the s151 and Monitoring Officer have in ensuring good governance.	A programme of governance training and awareness is being developed to be delivered on a rolling basis.  <b>A programme of governance training and awareness has been developed to be delivered as part of business as usual.</b>	<b>Completed</b>  Director of Law & Governance
Examination and continual review of the reporting structure of the Chief Internal Auditor is undertaken.	Under the new tier3/4 structure approved by Staff and Appointments Committee on 25 April 2023 the Chief Internal Auditor now reports to the S151 Officer. He has direct access to the Chief Executive and Chair of Audit Committee, ensuring his independence. The CIA is not a member of the Executive Management Team.	<b>Completed</b>
There is a review of the number	Following the dissolution of	<b>Completed</b>

of joint posts across the organisation to ensure there is clarity of role, function and accountability.	the formal partnership with Northumbria NHS Foundation Trust in 2021 there are no longer any joint posts.	
The three statutory officers should work together and meet formally on a circa monthly basis.	Agreed. The statutory officers already meet informally on a regular fortnightly basis to discuss emerging issues and on a formal bi-monthly basis.	<b>Completed</b>
At the beginning of any initiative potentially involving significant amounts of both expenditure and/or income and involving a range of complexities, the Council's S151 and Monitoring Officer as statutory officers must sign off any formal documentation/reports.	Agreed. This already happens as a matter of good practice.	<b>Completed</b>
The Company Secretary should be line managed by the Monitoring Officer to ensure appropriate linkages with other legal operations.	Agreed. <b>Following further consideration and discussion, the only relevant company secretary post is that in Advance an arm's length company. Direct line management would be inappropriate.</b>	<b>Completed</b> Director of Law & Governance
Where there is a likelihood of working in partnership with a key strategic organisation and/or the formation of a joint venture, the establishment of a minimum of formally minuted, bi-monthly executive meetings should be held including Cabinet members and the equivalent non-executive board members where applicable. This should include	Agreed. <b>None at present.</b>	<b>Completed</b> Director of Law & Governance



the sharing of 'governance intelligence'.		
-------------------------------------------	--	--

## IMPLICATIONS ARISING OUT OF THE REPORT

<b>Policy</b>	None.
<b>Finance and value for money</b>	There are no direct financial implications arising from this report. Effective control and oversight of commercial trading activities provide assurance that public resources are being used appropriately and ensure transparency and accountability.
<b>Legal</b>	The report has been reviewed by the Director of Law and Governance and the legal issues are as set out in the body of the report.
<b>Procurement</b>	None.
<b>Human Resources</b>	None.
<b>Property</b>	None.
<b>Equalities</b>	None.
<b>Risk Assessment</b>	None
<b>Crime &amp; Disorder</b>	None.
<b>Customer Considerations</b>	None.
<b>Carbon Reduction</b>	None.
<b>Health &amp; Wellbeing</b>	None
<b>Wards</b>	All.

### Background Papers:

### Report sign off:

	<b>Name</b>
Monitoring Officer/Legal	Stephen Gerrard
Executive Director of Transformation and Resources & S151 Officer	Jan Willis
Chief Executive	Helen Paterson
Portfolio Holder(s)	N/A

### Report Author:

Jan Willis, Executive Director of Transformation and Resources

(01670) 624783

jan.willis@northumberland.gov.uk

