

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 29 November 2023 at 10.15 a.m.

PRESENT

COUNCILLORS

Cessford, T.
Dale, A.
Grimshaw, L.

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

CO-OPTED MEMBERS

Topping, P.

OFFICERS IN ATTENDANCE

Candlish, T.
Gerrard, S.

Hall, S.
McDonald, K.

Nicklen, L.
Todd, A.
Willis, J.

Group Assurance Manager
Director of Law and Corporate
Governance (MO)
Group Assurance Manager
Head of Internal Audit and Risk
Management
Lead HR Advisor
Democratic Services Officer
Executive Director of
Transformation and Resources &
S151 Officer

ALSO IN ATTENDANCE

Earl, R.

Sanderson, H.G.H.

Waddell, C.

Advance Northumberland Chief
Operating Officer (observing)
Leader of the County Council
(part)
Mazars (External Audit)

1 member of the press was present.

30. ELECTION OF CHAIR

RESOLVED that Councillor J. Reid be appointed Chair for this meeting.

(Councillor J. Reid, Chair, in the Chair).

Ch.'s Initials.....

31. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors D. Towns and P. Jackson.

32. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 27 September 2023, as circulated, be confirmed as a true record and signed by the Chair.

33. DISCLOSURE OF MEMBERS' INTERESTS

Councillor Reid declared an interest in item 14 on the agenda (Update on Internal Audit work in relation to active group entities) as Chair of Advance Northumberland.

Councillor Cessford declared an interest in item 6 on the agenda (FPS Local Pension Board Annual Report) as he was a retired member of the Tyne and Wear Metropolitan Fire Brigade with a pension managed by West Yorkshire Pension Fund. He advised that he would leave the room while this item was debated.

34. MONITORING REPORT / ACTION LIST 2023-24

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

S. Gerrard read out the following statement:

"I would like to thank the chair for the opportunity to address the committee. This is a prepared statement I am presenting in my capacity as the Director of Law and Governance.

Following the Report to the committee on 26 July 2023, on the Review of Exit Payments by the Executive Director of Transformation and Resources and S151 Officer, further enquiries have been undertaken and further advice has been sought on the matters identified.

Having consulted widely, including with the Leader and with the other statutory officers, I have decided to refer the matter to the Northumbria Police for further consideration. I have advised them that I am taking this action and am currently assembling the detailed relevant material to refer to them.

These matters inevitably take a considerable time to conclude. While the matter is under consideration I will not be making further comment and would urge a similar course of conduct upon members.

I would also like to take this occasion to advise members of recent communication from the Northumbria Police in relation to matters concerning ARCH North East. This was a matter raised by Northumberland County Council in 2017.

The Police advise that since 2017, Northumbria Police have undertaken three separate investigations, led by trained and accredited Senior Investigating Officers. Following the conclusion of all investigations, they are satisfied that the threshold of criminality has not been met and the evidence does not support any further police action.

In the circumstances I will not be taking questions”.

Actions 5 and 6. Following the statement made by the Director of Law and Governance reports would be prepared once the additional work had been concluded.

Regarding Action 2, a report was to be prepared for the next meeting of Audit Committee which would focus on BEST and how the Council would deliver value for money services. It was noted that the Strategic Transformation Programme Business Case had already gone through the decision-making process and been agreed. Updates on BEST, workforce and recruitment had been considered recently through respective committees. Focusing on how the programme would ensure the Council was meeting its best value duty accords with the remit of Audit Committee and would ensure no duplication of work between different Council committees. It was noted that all past reports and presentations to Scrutiny, Cabinet and Council were in the public domain and available to view. Members agreed to move away from the strategic business case and receive an update report which would focus on best value duty aspects.

Action 4 could be closed as the meeting between officer and member had taken place.

Actions 3 and 7 had been programmed to be considered at the January 2024 meeting.

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

35. REPORT OF THE DIRECTOR OF LAW AND GOVERNANCE

Governance Review – Update on Continued Progress

S. Gerrard, Director of Law and Governance presented the report which summarised progress on delivering the Council’s action plan following the independent review of governance undertaken in 2022. (A copy of the report has been filed with the signed minutes).

Councillor Dale commented on member development and some of the difficulties members were having accessing IT systems and general internet connectivity. It was agreed for Councillor Dale to contact S. Gerrard following this meeting to discuss her comments in more detail.

P. Topping suggested that it would be helpful within Appendix 1 of the report to have a traffic light assessment in place. This tool would indicate how well activities and milestones were being achieved and show how the overall governance actions were progressing.

P. Topping also suggested that within action number 10.2.9 (establishing a scheme of performance appraisal) a percentage be included to demonstrate and measure the number of people within the scheme. S. Gerrard thanked P. Topping for the suggestions to improve Appendix 1.

P. Topping raised a query about the Constitution. In response S. Gerrard confirmed that the document had been agreed at the annual meeting of County Council. It was noted that although the action was marked as complete the Constitution would be kept under continuous review.

Councillor Dale asked for a timeline for action number 10.2.6 (establishing a rationale for the establishment or continuation of any company established under the provisions of the Localism Act 2011). J. Willis confirmed that the framework and rationale was completed and agreed by Cabinet at the end of 2022. There had been two meetings of the Council's Shareholder Committee, and this would run for a year before inviting Local Partnerships (or another provider) to review how the new company governance arrangements were working. The findings of the review would be reported to Audit Committee in due course.

RESOLVED that Audit Committee consider and comment on progress on delivering the Council's action plan following the independent review of governance undertaken in 2022.

Councillor T. Cessford declared an interest in this item and withdrew from the meeting during consideration thereof.

36. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES

FPS Local Pension Board Annual Report

J. Willis, Executive Director of Transformation and Resources introduced the annual report of the Northumberland County Council Firefighters' Pension Scheme (FPS) Local Pension Board ("the Board"), which was constituted in 2015 as part of changes introduced by the Public Service Pensions Act 2013. It was the intent of the Board to use the annual report to inform the Scheme Manager (i.e. NCC's S151 Officer in consultation with the Chief Fire Officer) of NCC's data on FPS membership, statement of accounts, and issues progressed through the Internal Disputes Resolution Procedure (IDRP) and Fire Disputes Panel. (A copy of the report has been filed with the signed minutes).

Councillor Dale commented on attendance at the regular meetings of the Local Pension Board and the commitment needed before agreeing to sit on the Board as a County Councillor representative.

RESOLVED that Audit Committee receive the Annual Report of the FPS Local Pension Board for 2022/23, attached as Appendix 1 to this report and provide comment to the Board and NCC's FPS Scheme Manager, if appropriate.

37. REPORTS OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

(a) Strategic Audit Plan 2023/24 - Interim Monitoring Statement

K. McDonald, Head of Internal Audit and Risk Management presented Audit Committee with an interim (half yearly) monitoring statement in respect of the Strategic Audit Plan for 2023/24 (a copy of the report has been filed with the signed minutes).

It was reported that during the 2023/24 Strategic Audit Plan 49 assignments had been programmed. At the mid-year point, 24 of these assignments were either in progress or completed. Work had also been undertaken on finalising 17 assignments from the previous financial year. In addition, a significant amount of unplanned work has been undertaken.

It was noted that the Strategic Audit Plan was under continuous review and following engagement, 5 additional assignments had been identified for inclusion within the 2023/24 plan of work. Of these assignments, 3 were currently underway and 2 planned for the second half of the year.

The Interim Monitoring Statement was attached as Appendix 1 and an update on all actions had been set out in Appendix 2 of the report.

P. Topping commented on some of the reviews that had been reprogrammed to 2024/25. In response it was confirmed that where this had been the case it had been done following discussions with officers. Often the reprogramming had taken place to ensure a more optimum time for the review. Agreement to reprogramme would only take place once the risk was mitigated. No assignments were forgotten about, and all recommendations made were followed up to ensure progress was made or action had been taken to address issues identified.

Councillor Oliver commented on the multiple large scale capital schemes which had been moved to 2024/25. He asked if there was a timetable of when this was to be reviewed as these capital schemes amounted to a large proportion of Council spend. Councillor Grimshaw reiterated the comments made by Councillor Oliver. It was confirmed that the review would take place as soon as possible and assurance was provided that no reprogrammed assignments were delayed without due cause.

Councillor Dale asked a question about the Borderlands project and specifically what progress was being made in Prudhoe. J. Willis advised that she would liaise with the Borderlands Team and provide a note to Councillor Dale following the meeting.

RESOLVED that Audit Committee notes and considers the progress set out in the Strategic Audit Plan Interim Monitoring Statement, attached as Appendix 1, and the level of coverage achieved by Internal Audit at this stage in the year.

(b) Key Outcomes from Internal Audit Reports

K. McDonald, Head of Internal Audit and Risk Management introduced the report which sought to advise Audit Committee of key outcomes from Internal Audit reports issued between May 2023 and October 2023 (a copy of which has been filed with the signed minutes).

RESOLVED that 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.

(c) Corporate Risk Management Update

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

RESOLVED that Audit Committee note the contents of the report.

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

Treasury Management Mid-Year Report 2023-24

J. Willis, Executive Director of Transformation and Resources reported the mid-year review of treasury management activities for the period 1 April to 30 September 2023, and performance against the Treasury Management Strategy Statement (TMSS) 2023-24 - as approved by the County Council on 22 February 2023. The report provided a review of borrowing and investment performance for the period set in the context of the general economic conditions prevailing so far 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 Council in the TMSS. (A copy of the report has been filed with the signed minutes).

It was noted that interest rates remained high and accordingly the current strategy was to minimise external borrowing and instead, wherever possible, rely on internal borrowing. There had been no new borrowing taken out in the first half of 2023-24. It was forecast that by the end of quarter 3 there would be a requirement for new borrowing.

The external funding position of the Council was known for this year and next. However, beyond 2024-35 there was no visibility of what the funding position was likely to be making it extremely difficult to plan for the future. It was noted that although the Council could not control external funding it could control its spending.

It was reported that there was currently a major piece of work being carried out to establish more accurate Capital Programme expenditure profiles which would be reported to the January meeting of Cabinet. This would assist in establishing more accurate forecasts of future borrowing requirements.

RESOLVED that Audit Committee:

- (a) receive the report and note the performance of the Treasury Management function from 1 April to 30 September 2023 and
- (b) present the report to County Council.

39. EXTERNAL AUDIT

Audit Completion Report – year ended 31 March 2022 and update on 2020/21 accounts

(A copy of the Audit Completion Report – year ended 31 March 2022 had been filed with the signed minutes).

C. Waddell, Mazars External Auditor reported that good progress had been made regarding the audit of accounts which had allowed for the audit completion report to be issued. There were a few areas of work still to be completed. Subject to the work being completed and any further amendments being made it was thought that an unqualified opinion on the financial statements of the Council would be reached.

The Audit Completion Report detailed the scope of the work that had taken place, including identifying significant audit risks and other areas of management judgement, which had been previously reported in the Audit Strategy Memorandum at the Audit Committee meeting held on 22 November 2022. It was reported that External Audit had reviewed the Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remained appropriate.

It was noted that External Audit were currently discussing with management the value for money (VFM) considerations. External Audit were anticipating having significant weaknesses in arrangements to report in relation to the arrangements that the Council had in place to secure economy, efficiency and effectiveness in its use of resources.

The timing of the audit had been adversely impacted by several factors, including issues with valuations of the Council and Group's property assets, delays in completing the Advance Northumberland Limited audit, the national infrastructure issue, and the national issue in relation to pensions.

Work was on-going, and a number of points were reported including:

- Within the accounts there was a reference to the payment of the International allowance to the former Chief Executive. External Audit had looked at this in terms of disclosure requirements. It was anticipated that once this had been done External Audit's audit report would not need to be modified. It was envisaged that a disclosure note would need to appear in the 2020/21, 2021/22 and the 2023/24 audit reports. However, deliberations were still taking place to decide if a paragraph within the audit report would be needed to draw the reader's attention to the matter.
- Regarding VFM, External Audit were still working though the reporting on this for 2019/20, 2020/21 and 2021/22. Judgements concerning the lawfulness of historic exit packages would need to be finalised before External Audit could completely conclude.

- Infrastructure. As reported many times before this was a national infrastructure issue impacting on most councils. There were a few queries outstanding, but it was not thought any big issues would be identified.
- Pensions. The Council was issued with a new Pension Fund Auditor letter which resulted in a revaluation and adjustments made to the Tyne and Wear Pension Fund. Following testing and some queries, answers had now been provided. It was not anticipated that there would be any further amendments to the accounts in relation to this area.
- Regarding valuation of property, plant and equipment, work was ongoing. The findings would be reported in a follow-up letter. Discussions were taken place on how best to record this risk going forward to ensure the issues that had arisen did not continue in the future.
- Group Accounts. There would need to be some top up work for County Council to get assurance at group level. This was mainly to do with investment property.
- There were a few issues still to be resolved around the annual Government Statement relating to exit packages and the impact they may have had or not on the audit report.
- Significant management override control. This area of work was largely complete with only a small amount of top up work left to finalise. There were no significant issues to report.
- There was an error on page 16 of the report, the heading should have read 'Significant findings-enhanced risk: accounting *for infrastructure assets*'.
- Regarding quality of the Council's accounts, policies were in line with what External Audit would expect for a local authority of this size with the assets liabilities income and expenditure they had.
- Mazars deemed the accounts to be of good quality and had improved.

Regarding the removal of the reference of the British Volt development at Cambois detailed within the summary of misstatements, it was confirmed that discussions were taking place between officers and External Audit to determine if there needed to be an amendment made to any of the wording within the Statement of Accounts 2022-23.

RESOLVED that Audit Committee receive the Audit Completion Report for the year ended 31 March 2022 and information provided be noted.

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

Statement of Accounts 2021-22

The report sought approval of the Council's Statement of Accounts for the financial year ended 31 March 2022. (A copy of the report has been filed with the signed minutes).

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

RESOLVED that the Audit Committee:

(a) approve the Statement of Accounts for the Council for the financial year ended 31 March 2022, noting the outstanding issues in Section 2 of the External Auditors Audit Completion Report.

(b) approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in Section 2 of the External Auditor's Audit Completion Report.

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

Update on Internal Audit work in relation to active group entities

It was noted that due to the timing of the active group entities meetings there was no update to report for this Audit Committee.

RESOLVED that the information be noted.

42. DATE OF NEXT MEETING

RESOLVED that the next meeting has be scheduled for Wednesday, 31 January 2024 at 10.15 am.

CHAIR.....

DATE.....