

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 31 January 2024 at 10.15 a.m.

PRESENT

Councillor D. Towns
(Vice-Chair, in the Chair)

COUNCILLORS

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

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

CO-OPTED MEMBERS

Topping, P.

OFFICERS IN ATTENDANCE

Bishop, L.
Candlish, T.
Gardner, K.

Gerrard, S.

Hall, S.
McDonald, K.

Todd, A.
Willis, J.

Principal Lawyer
Group Assurance Manager
Director of Strategic Change and
Service Improvement
Director of Law and Corporate
Governance (Monitoring Officer)
Group Assurance Manager
Head of Internal Audit and Risk
Management
Democratic Services Officer
Executive Director of
Transformation and Resources &
S151 Officer

ALSO IN ATTENDANCE

Dafter, J.
Earl, R.

Mazars (External Audit)
Advance Northumberland Chief
Operating Officer (observing)

Ch.'s Initials.....

Wearmouth, R.

Deputy Leader of the County
Council and Cabinet Member for
Corporate Services

1 member of the press was present.

43. MINUTES

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

44. DISCLOSURE OF MEMBERS' INTERESTS

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

45. 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 has been filed with the signed minutes).

It was noted that an update on workforce issues was provided to the Corporate Services and Economic Growth Overview and Scrutiny Committee held on 29 January 2024. Members of Audit Committee and all Scrutiny Members had been invited to attend the meeting. Therefore, Action 6 could be closed.

Actions 8 and 9 could be closed.

Regarding Action 9, Councillor Jackson asked if Audit Committee could examine further the governance and partnership arrangements around the Borderlands project. J. Willis, Executive Director of Transformation and Resources (S151 Officer) confirmed that she could share the information previously shared with Councillor Dale to the wider committee and include the accountability and assurance framework to offer assurance to members regarding the project.

Councillor Jackson queried if Audit Committee could have an update on the file referral to Northumbria Police regarding exit payments. The Monitoring Officer responded that this would not be appropriate.

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

46. REPORT OF DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Best Value for Money Workstream Progress Report

K. Gardner, Director of Strategic Change and Service Improvement presented the report which updated the Audit Committee on work undertaken to date as part of the Best Value for Money Workstream, covering the period 1st April 2023 – 15th January 2024. (A copy of the report was filed with the signed minutes).

It was noted that the Best Value for Money Workstream formed part of BEST delivery. The aim of the workstream was to introduce a more rigorous approach to planning and performance management, and perform deep dive reviews into specific service areas, with the aim of achieving better outcomes for customers while reducing demand on higher cost public services.

Councillor Grimshaw spoke about the home to school transport service. She hoped that the workstream review would help support SEND young people and their families to get to school and back safely and calmly. It was a vital service for many families, and she hoped the review would look favourably at the needs of SEND young people as well as developing a new way of working for the service.

Councillor Dale asked about the link between the work of BEST and identified high risk issues. It was confirmed that the approach was aligned to the corporate framework. The value for money assessments service reviews were identified within the original Strategic Business Case proposals as a means of looking at service areas with high levels of demand. Key lines of enquiry were determined upon level of expenditure and demand pressures on the service.

In response to a query from P. Topping on the delivery partner Deloitte, it was confirmed that the service review on environment was to be the first review to be completed under the joint approach of the internal Service Review Team. The delivery partner would help deliver the programme as part of the core BEST team, working alongside council officers. They had not been brought onboard as consultants but instead were valuable members of the Team.

RESOLVED that Audit Committee note and comment on the activity and progress of the Best Value for Money Workstream.

47. REPORT OF THE DIRECTOR OF LAW AND CORPORATE GOVERNANCE

Regulation of Investigatory Powers Act 2000 (RIPA) Policy

S. Gerrard, Director of Law and Corporate Governance presented the report which sought to advise members of the requirements of the Regulation of Investigatory Powers Act 2000 and to ask Audit Committee to adopt a revised policy under this legislation. (A copy of the report has been filed with the signed minutes).

Members noted that the RIPA policy only applied to covert surveillance.

RESOLVED that Audit Committee:

- (a) consider the report and approve the updated policy.
- (b) agree to review and approve the RIPA policy on an annual basis.
- (c) agree to monitor the Council's use of RIPA powers and undertake a review of those powers annually.

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

Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24

J. Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report which sought to provide Audit Committee with the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK. (A copy of the report has been filed with the signed minutes).

Members were advised that Appendix A to the report provided a summary of the key accounting changes to the Code and their relevance to the Council in preparing its Statement of Accounts for the year ended 31 March 2023.

RESOLVED that Audit Committee note the changes detailed in the report and in Appendix A which will be taken into account in the preparation of the 2023-24 statement of accounts.

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

Northumberland County Council - Statement of Accounts 2023-24

The purpose of this report was to provide the Audit Committee with an overview of the timetable for publishing the 2023-24 Statement of Accounts and an update on the Accounting Policies to be applied in the preparation of the 2023-24 Statement of Accounts.

J, Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report (a copy of which has filed with the signed minutes).

RESOLVED that Audit Committee:

- (a) note the key dates in the final accounts process for 2023-24.
- (b) approve the Accounting Policies to be used for the preparation of the 2023-24 Statement of Accounts.
- (c) authorise the Executive Director for Resources and Transformation to review the accounting policies as necessary and report any changes to the Audit Committee.

50. EXTERNAL AUDIT

Audit Progress Report

The report updated members on the current position with the 2019/20 audit and the national delays in completing the 2020/21 and 2021/22 audits, how they impacted the Council and the timing of the 2022/23 audit. It also included, at Section 2, a summary of recent national reports and publications for information. (A copy of the report has been filed with the signed minutes).

J. Dafter, External Auditor drew members' attention to the main points of the report, which included:

- Regarding the 2019/20 Audit, it was confirmed that the conclusions in respect of the Council's value for money (VFM) arrangements remained outstanding although nearly complete. Once complete the VFM for the 2019/20 financial year would then feed into subsequent years.
- The 2020/21 Audit. External Audit were working with officers to bring the audit of the financial statements to a conclusion and in the near future it was expected that Mazars would be in a position to issue the audit opinion. The Council's VFM arrangements remained outstanding as referenced in the 2019/20 update.
- It was reported that work on the 2021/22 Audit had been substantially completed. The progress report updated all on the outstanding matters including awaiting decisions from management in relation to ongoing legality and governance issues and how they were to be disclosed in the Council's Annual Governance Statement which would then be subject to audit.
- It was reported that the 2022/23 Audit was well underway with good progress being made.

RESOLVED that the progress report be noted.

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

Treasury Management Strategy Statement 2024-25

Members were advised that the Local Government Act 2003 required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Council nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policy.

J. Willis, Executive Director of Transformation and Resources (S151 Officer) introduced the report which set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2024-25, Prudential Indicators 2024-25 to 2027-28 and the Minimum Revenue Provision Policy 2024-25. (A copy of the report has been filed with the signed minutes).

Councillor Oliver queried why the estimated HRA figures regarding the trend in the cost of capital against the net revenue stream were decreasing. In response it was confirmed that the figures reflected that rents were rising higher than Council Tax.

Councillor Grimshaw thanked officers for the very comprehensive report.

In response to a query made by Councillor Dale it was confirmed that Members would continue to be kept informed on progress made and any future developments. Along with the Treasury Management Strategy Statement and an annual Treasury Report, Audit Committee also received a mid-year treasury management report. It was recognised that councils did find themselves in turbulent financial positions.

However, if there was anything of significance to be reported an additional report to Audit Committee would be prepared.

Councillor Reid spoke about the Council's financial position and sought assurance regarding the ratio of financial costs to net revenue stream. He queried whether this trend was sustainable going forward. It was confirmed that each council's financial position was different which made any benchmarking work or economic outlook forecasting difficult. Northumberland was in a good position, but treasury management would be under constant review. The Council would need to be careful in its decision making going forward.

Councillor Dale commented on the impact on delivery of services to residents and the need to carefully balance capital spending against borrowing. In response it was stated that capital was not just used to fund new projects but also ensured current council buildings and assets were fit for purpose. This would help services for residents to be more accessible, efficient and cost effective.

RESOLVED that Audit Committee:

(a) consider the report and recommend that County Council approves the Treasury Management Strategy Statement, including the Treasury Management Policy Statement, the Annual Investment Strategy, and the Borrowing Strategy for the Financial Year 2024-25.

(b) recommend that County Council approves the Prudential Indicators (Appendix 4) for four years 2024-25 to 2027-28 to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

(c) recommend that County Council approves the Minimum Revenue Provision Policy (Appendix 5) 2024-25.

52. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES AND S151 OFFICER

International Lessons Learned Review – Update

The report updated Audit Committee on progress made in implementing the recommendations of the international lessons learned review commissioned following the issue of the S151 Officer's S114 report in May 2022. (A copy of the report has been filed with the signed minutes).

J. Willis, Executive Director of Transformation and Resources (S151 Officer) and K. McDonald, Head of Internal Audit and Risk Management highlighted the progress made regarding each of the recommendations.

Councillor Towns asked if Members could be provided with the legal definitions of illegal and unlawful. The Monitoring Officer confirmed that this could be sent to the Audit Committee.

Councillor Oliver welcomed the progress that had been made and hoped that by implementing the recommendations from the review the Council would not find itself in the same position ever again. The Monitoring Officer stated that it was unlikely this could happen again as the Council arrangements were now very different.

Councillor Dale commented on the importance of the Risk Appraisal Panel. In the past she had raised concerns about the Risk and Appraisal Panel not meeting to discuss risks associated with projects or proposals. She questioned what the terms of reference of the panel were and felt that all high-level projects should be routinely sent for consideration. J. Willis confirmed that the Risk Appraisal Panel was meeting, when required, and had met at least three times over the last year or so. The revised terms of reference were included in the Constitution. It was an advisory panel which would be used when evaluating potential trading propositions and offer advice to the Shareholder Committee. J. Willis advised that if Councillor Dale required any further information regarding the Risk Appraisal Panel, she was happy to meet with her to discuss.

The Deputy Leader commented on the lessons that had been learnt since the review and how much growth had been achieved by the Council in improving its policies, procedures and overall way of working.

RESOLVED that the progress in implementing the action plan be noted.

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

Outcomes from the External Quality Assessment of the Internal Audit Service

The purpose of the report was to advise Audit Committee of the findings/outcomes from the external quality assessment of the Internal Audit Service, undertaken in accordance with the Public Sector Internal Audit Standards. (A copy of the report has been filed with the signed minutes).

K. McDonald, Head of Internal Audit and Risk Management introduced the report and drew members' attention to the key points.

The Audit Committee congratulated the Team for the positive outcomes received from the assessment.

RESOLVED that Audit Committee consider and note the contents of the report.

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

Preparation of the Strategic Audit Plan 2024/25

The purpose of this report was to outline the approach to preparing the 2024/25 Strategic Audit Plan, for consideration and endorsement by the Audit Committee. The report also ensured the Audit Committee, as a key stakeholder of Internal Audit's work, was engaged at an early stage in the planning process. (A copy of the report has been filed with the signed minutes).

The report was introduced by K. McDonald, Head of Internal Audit and Risk Management.

RESOLVED that:

(a) Audit Committee endorse the approach to preparation of the 2024/25 Strategic Audit Plan.

(b) Audit Committee are invited to highlight any areas for consideration by the Head of Internal Audit and Risk Management, for inclusion in the 2024/25 Strategic Audit Plan.

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

Corporate Risk Management Update

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

RESOLVED that Audit Committee receive and note the contents of the report presented to and agreed by Cabinet in December 2023.

56. DATE OF NEXT MEETING

RESOLVED that the next meeting be scheduled for Wednesday, 27 March 2024 at 10.00 a.m.

Councillor Wallace left the meeting at this point and did not return.

57. 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

18 & 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.

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

Corporate Risk Management Update

Members consider a confidential appendix in relation to item 14 on the agenda (a copy of which has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

Members were informed that contingency plans following adverse weather continued to be improved and emerging issues addressed, including those regarding digital services and PAT testing of emergency equipment.

RESOLVED that the appendix be noted.

Councillor J. Reid declared his interest at this point and withdrew from the meeting during consideration thereof.

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

Group Audit Committee: Update on Internal Audit work in relation to active group entities

K. McDonald, Head of Internal Audit and Risk Management presented the report which sought 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 September 2023. This report was presented to Advance Northumberland Audit Committee on 30 November 2023. (A copy of the report has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

RESOLVED that the Audit Committee notes the Advance Northumberland: Internal Audit Update Report provided at Appendix 1 and considers this report as part of its ongoing evaluation of the framework of governance, risk management and control within Northumberland County Council’s accounting group boundary.

CHAIR.....

DATE.....