

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 29 January 2025 at 10.15 a.m.

PRESENT

P. Topping
(Chair and Independent Member, in the Chair)

COUNCILLORS

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

Oliver, N.
Reid, J.

CO-OPTED MEMBERS

Green, S.

Hannah, J.

OFFICERS IN ATTENDANCE

Bishop, L.
Candlish, T.
Gerrard, S.

Harvey, K.
Hodgson, A.
Long, S.
McDonald, K.

Todd, A.
Willis, J.

Principal Solicitor
Group Assurance Manager
Director of Law and Governance
(MO)
Head of Corporate Finance
Corporate Fraud Manager
Senior Pensions Advisor
Head of Internal Audit and Risk
Management
Democratic Services Officer
Executive Director of
Transformation and Resources
(S151 Officer)

ALSO IN ATTENDANCE

Harold, D.

Forvis Mazars (External Audit)

1 member of the press was also in attendance.

45. APOLOGIES FOR ABSENCE

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

46. MINUTES

RESOLVED that the minutes of the meeting of Audit Committee held on 25 September 2024, as circulated, be confirmed as a true record and signed by the Chair.

47. REPORT OF THE EXECUTIVE DIRECTOR FOR TRANSFORMATION AND RESOURCES

Annual Report of the FPS Local Pension Board for 2023/24

Members were provided with the 2023/24 Annual Report of the FPS Local Pension Board. (A copy of the report has been filed with the signed minutes).

S. Long, Senior Pensions Advisor introduced the report which sought to inform Members on the activities of the Board during 2023/24. It was noted that the Board had recognised that 2024/25 was to be a particularly difficult year for fire Pensions, both for employers and members due to the ongoing remedy and Matthews cases.

S. Green asked if the administration service carried out by West Yorkshire Pension Fund (WYPF) was monitored and whether the increase in clients had affected performance. In response it was confirmed that Northumberland received monthly updates including client performance reports and monitoring of key performance indicators. Although the number of clients had increased WYPF had kept the Board informed as planned and increased resources to ensure service delivery was unaffected by its increasing client base. It was noted that there had been no breaches of the law.

J. Hannah was provided with the background circumstances as to why West Yorkshire Pension Fund had taken over the administration service of Northumberland and other local authorities fire pensions.

The Chair asked about risks. In response it was confirmed that the Board would be carrying out a full review of the risk register in 2024/25. There was an emerging risk in relation to the Matthews exercise. The Board was aware of this and the need to carry out further action urgently to progress the project.

RESOLVED that the Audit Committee receive the Annual Report of the FPS Local Pension Board for 2023/24, attached as Appendix 1 to the report, and provide comment to the Board and NCC's FPS Scheme Manager, if appropriate.

48. REPORT OF THE DIRECTOR OF LAW AND CORPORATE GOVERNANCE

Regulation of Investigatory Powers Act 2000 (RIPA) policy 2025

S. Gerrard, Director of Law and Governance introduced the report which sought to advise Members of the requirements of the Regulation of Investigatory Powers Act

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2000 and to ask Audit Committee to simply review the policy under this legislation following on from approval on the 31 January 2024. There were no amendments to the current policy. (A copy of the report has been filed with the signed minutes).

Councillor Reid noted that the recommendations followed the legislation and Code of Practice issued by the Home Office and therefore the Council had no option but to adopt. He also suggested that Members did not need to be provided with a hard copy of the RIPA policy and should be available online instead. L. Bishop, Principal Solicitor confirmed that there were clear statutory processes to go through and any option not to review and set policies would be contrary to the Code of Practice and would not give assurance to IPCO that the Council had adequate processes in place to comply with the legislation. The expectations for next year were to reduce the size of the policy and draft a guidance note for officers. It was hoped that by doing this there would be a clear statutory process to follow which would be user friendly followed by a training programme to help the Council utilise fully the RIPA powers.

S. Gerrard advised that it was anticipated that a more online approach to council documents and publications would be rolled out in the near future.

Councillor Dale welcomed the report and hoped that Council officers utilise the Policy to carry out various enforcement duties and investigations going forward.

L. Bishop advised Members of the strict application process which was needed to be carried out by specially trained officers in order to conduct any covert surveillance techniques. A judicial approval was also required.

Councillor Oliver queried how many missed opportunities there may have been to carry out surveillance activities in recent years as there had been little or no use of the powers. L. Bishop confirmed that work was taking place to utilise the policy and provide officers with the necessary tools and knowledge to maximise the enforcement powers that could be undertaken.

The Chair spoke about covert and overt surveillance and which technique was covered by RIPA.

Councillor Grimshaw commented on prosecutions and the need for Council officers to take advantage of RIPA to help inform investigations which would then hopefully lead to criminal charges.

L. Bishop commented on a number of high profile campaigns taking place by the Council at the current time, one of which was fly tipping. The campaign was being successful with a number of fixed penalty notices and prosecutions to court. The fines awarded were at the maximum level. However, it was stressed that it was up to the magistrates to determine sentencing not the Council.

RESOLVED that Audit Committee:

- (a) Approve the current RIPA policy for continued adoption.
- (b) Continue to monitor the Council's use of RIPA powers and undertake a review of those powers annually.

49. REPORTS OF THE CABINET MEMBER FOR CORPORATE SERVICES

Ch.'s Initials.....

49.1 Statement of Accounts 2024/25 - Timetable and Policies

The purpose of this report was to provide Audit Committee with:

- a) An overview of the timetable for publishing the 2024-25 Statement of Accounts
- b) An update on the Accounting Policies to be applied in the preparation of the 2024-25 Statement of Accounts.

K. Harvey, Head of Corporate Finance introduced the report (a copy of which has been filed with the signed minutes) and advised that there had been no changes made to the accounting policies other than to Leases. A separate report on Leases would be draft for consideration at the Audit Committee's March 2025 meeting.

Councillor Dale asked whether the valuations of infrastructure changes were detailed within. In response it was confirmed that the changes to property, plant and equipment asset values would take place from next year and therefore were not included.

S. Green asked about the complexities of having to work with third parties to meet the requirements of publishing the Statement of Accounts. K. Harvey confirmed that there was a good working relationship with Forvis Mazars with meetings taking place regularly. Council officers worked to the agreed timetable and policies, and audit work was currently on track.

RESOLVED that Audit Committee:

- (a) note the key dates in the final accounts process for 2024-25.
- (b) Approve the Accounting Policies to be used for the preparation of the 2024-25 Statement of Accounts.
- (c) Authorise the Executive Director of Transformation and Resources to review the accounting policies as necessary and report any changes to the Audit Committee.

49.2 Changes to the Code of Practice for 2024/25

K. Harvey, Head of Corporate Finance introduced the report which provided the Audit Committee with a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code) which would apply to the 2024-25 Statement of Accounts. (A copy of the report has been filed with the signed minutes).

RESOLVED that the Audit Committee note the changes detailed in the report and in Appendix A which will be taken into account in the preparation of the 2024-25 Statement of Accounts.

49.3 Treasury Management Strategy Statement for the Financial Year 2025/26

The Local Government Act 2003 required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy, which set 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.

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The report set out the Treasury Management Strategy, Treasury Management Policy Statement, the Annual Investment Strategy for the Financial Year 2025-26, Capital Prudential Indicators 2025-26 to 2028-29 and the Annual Minimum Revenue Provision Policy Statement 2025-26. (A copy of the report has been filed with the signed minutes).

K. Harvey, Head of Corporate Finance drew members' attention to the key points detailed within the report.

The Chair asked if there were any changes to the forecasts since the report had been written. In response J. Willis, Executive Director of Transformation and Resources confirmed that it was a case of taking a watching brief at the minute until the direction of travel became clearer. There was potential for some significant shifts in the upcoming year as always, but a slight economic recovery was expected due to falling interest rates.

Councillor Oliver asked if the changes due to be implemented regarding the Leases accounting policy would result in no impact other than now recording them on the balance sheet. He also asked if Members could receive an update about the loan to Newcastle Airport as he recalled following the COVID pandemic adjustments had been made. K. Harvey confirmed that a detailed report on Leases would be brought to the March 2025 meeting of Audit Committee and that an update regarding Newcastle Airport could be provided.

Councillor Dale commented on the loan to the NHS which helped build Hexham Hospital and provided a positive asset to the local community. Councillor Dale also commented on the capital programmes and the length of borrowing compared to the value for money over that period of time. In response K. Harvey confirmed that there needed to be an underlying need to borrow in the first instance. Details on all the capital programme's borrowing was available and laid out over medium term, with officers using mechanisms such as the asset life method to calculate the minimum revenue provision and spread the repayment of borrowing over the life of the asset.

In response to a query raised by J. Hannah it was confirmed that the Council did lend to third parties including other local authorities. Non core treasury management supported the capital programme and delivery of the Council's priorities.

Councillor Reid congratulated the work of officers in managing the investment of local authority funds, debt management and treasury management practices.

S. Green commented on the Capital Financing Requirement (CFR). He asked if it should be highlighted as a concern that the CFR estimated by 2028 exceeded that of the operational boundary. K. Harvey advised that this was only a guide to borrowing but would double check the figures and provided a response following the meeting.

In response to a query from Councillor Dale, K. Harvey discussed how the interest rates were forecasted, internal borrowing was utilised, and capital programmes were evaluated and scored against external funding criteria.

RESOLVED that Audit Committee:

- (a) Recommends 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 2025-26.

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- (b) Recommends that County Council approves the Capital Prudential Indicators (Appendix 4) for four years 2025-26 to 2028-29 to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- (c) Recommends that County Council approves the Annual Minimum Revenue Provision Policy Statement (Appendix 5) 2025-26.

49.4 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 risk register following review by Executive Management Team and Cabinet. (A copy of the report has been filed with the signed minutes).

The Chair advised that the Audit Committee were not the owners of individual risks.

S. Gerrard, Director of Law and Governance asked that questions be kept to within the remit of the committee.

Councillor Dale felt that description within risk 5 should be more inclusive and suggested it was missing some dialogue in order to give her the assurance she required. Councillor Dale offered to suggest what could be added within the register to allay some of her concerns. K. McDonald reported that he would take back comments made to the risk owner to consider.

RESOLVED that Audit Committee receives and notes the contents of the report presented to and agreed by Cabinet on 14 January 2025.

49.5 Corporate Fraud Interim Update

Audit Committee received an update on Corporate Fraud activity undertaken during the period 1 April - 30 September 2024. (A copy of the report has been filed with the signed minutes).

A. Hodgson, Corporate Fraud Manager drew members' attention to the main points within the report. It was noted that the team was responsible for achieving fraud prevention, detection, and identification. Following on from a request from councillors at a previous meeting of Audit Committee the report now included data from 2023/24 for comparative purposes.

Councillor Dale commended the work and value added to the Council in carrying out these investigations. In response to a question regarding the COVID 19 relief investigations A. Hodgson confirmed that there was one or two new business rates cases being investigated and some subsidies work ongoing.

Councillor Grimshaw welcomed the number of closed investigations with successful criminal sanctions achieved and hope it would be a deterrent to others.

In response to question raised by Councillor Reid, A. Hodgson confirmed that the figures produced regarding the right of buy applications were notional figures based on if applications had been granted and discounts offered on the properties.

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Councillor Reid highlighted the achievements of the single person discount project and suggested that the team could add council tax exemptions, holiday homes and empty properties to the scheme in the future.

S. Green queried how the priorities of the team were set and resource allocated. K. McDonald confirmed that the team was small, and resources needed to be target based on a triage system. The Council's plan, objectives and the corporate enforcement review also helped steer the aspirations of the Council's anti-fraud team.

In response to a question from Councillor Oliver, it was confirmed that the team were involved in the implementation of Council policies and system regarding the housing list and allocation policy. A report on this subject was to be considered this afternoon at a scrutiny committee.

RESOLVED that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team as part of Audit Committee's role in maintaining governance oversight of counter-fraud activity as part of the overall framework of governance, risk management and control.

50. REPORTS OF HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

50.1 Strategic Audit Plan 2024/25 - Interim Monitoring Statement

K. McDonald, Head of Internal Audit and Risk Management introduced the report which provided Audit Committee with a monitoring statement in respect of the Strategic Audit Plan for 2024/25 following the end of the third quarter of the year (document attached as Appendix 1). (The report has been filed with the signed minutes).

The Chair commented on the limited assurance regarding cyber security. K. McDonald confirmed that this area remained a focus area for the Executive Management Team and an update was provided every two months with Executive Directors and the Chief Executive kept fully informed. It was a corporate risk in its own right. Measures were in place to keep on top of the risk and follow up reviews would take place.

Councillor Dale commented on the Capital Programme management arrangements work which was deemed as limited assurance. It was asked if further work would take place next year regarding this risk. K. McDonald advised that this area of work was similar to that of the cyber security in that it would be considered as part of the risk assessment for next years audit plan. The recommendations needed time to be embedded before follow-up reviews were undertaken.

RESOLVED that Audit Committee notes and considers the progress set out in the 2024-25 Strategic Audit Plan Quarter 3 Monitoring Statement, attached as Appendix 1.

50.2 Preparation of the Strategic Audit Plan 2025/26

K. McDonald, Head of Internal Audit and Risk Management introduced the report which outlined the approach to preparing the 2025/26 Strategic Audit Plan, for consideration and endorsement by the Audit Committee. The report also ensures the

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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 Chair advised that, as arranged in previous years, the Audit Committee would be invited to participate in the process of preparing the plan.

RESOLVED that Audit Committee endorse the approach to preparation of the 2025-26 Strategic Audit Plan. Audit Committee were also invited to highlight any areas for consideration by the Head of Internal Audit and Risk Management, for inclusion in the 2025-26 Strategic Audit Plan.

50.3 Global Internal Audit Standards

The purpose of this report was to inform Audit Committee of the introduction of new Global Internal Audit Standards (GIAS) and of the implications of the updated standards for the Internal Audit service and Audit Committee. (A copy of the report has been filed with the signed minutes).

K. McDonald, Head of Internal Audit and Risk Management drew members' attention to the key points of the report and advised that a more detailed report on the new standards would be prepared for the March 2025 meeting.

Councillor Reid asked about the global standards and was informed that these were new worldwide changes which it was hoped would be followed by all.

RESOLVED that Audit Committee notes and considers the changes arising from the GIAS and resulting implications for Audit Committee.

51. EXTERNAL AUDIT

External Audit Progress Report

D. Harold, External Auditor provided the Audit Committee with a progress report, a copy of which has been filed with the signed minutes.

The progress report advised that the Audit Strategy Memorandum for 2023/24 had been presented to the November 2024 meeting. Draft Accounts had been received from the Council in line with the statutory timetable and external audit had begun their audit in October 2024, after finalisation of the previous audits. Members noted that the work was on track and weekly meetings to discuss audit findings were taking place. It was also noted that the Audit Completion Report for 2024/25 was being prepared for consideration at the meeting of the Audit Committee scheduled for 26 February 2025.

RESOLVED that the progress report be noted.

52. MONITORING REPORT / ACTION LOG 2024-25

The Committee was asked to review and note its monitoring report/action list for the 2024/25 council year (a copy of which had been filed with the signed minutes).

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Councillor Dale suggested two items that she believed Audit Committee should look at; the PEER Review and Remuneration Panel Report. The Chair noted that the PEER Review had already been considered by County Council at its last meeting. S. Gerrard, Director of Law and Governance advised Members that they had to be mindful of the role and remit of Audit Committee when adding reports to its work programme. The Chair asked that Councillor Dale prepare an email to the clerk with her suggestions in the first instance before a decision would be taken.

RESOLVED that the monitoring report/action list be noted.

53. DATE OF NEXT MEETING

RESOLVED to note the next meeting of the Audit Committee is scheduled for Wednesday, 26 February 2025.

54. 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

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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.

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

Corporate Risk Management Update

This confidential appendix related to item 9 in Part 1 of the agenda. A copy of the appendix has been filed with the signed minutes, coloured pink and marked "Not for Publication").

Members discussed aspects of the appendix and sought information on a number of the risks.

RESOLVED that the appendix be noted.

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CHAIR.....

DATE.....

Ch.'s Initials.....