

## **NORTHUMBERLAND COUNTY COUNCIL**

### **AUDIT COMMITTEE**

At a reconvened meeting of the **Audit Committee** held in the meeting space, Block One, Floor Two, County Hall Morpeth on Thursday 7 October 2021 at 2.00 pm.

#### **PRESENT**

S. Watson (Chair)

#### **COUNCILLORS**

Cessford, T.  
Dickinson, S.  
Jackson, P.

Oliver, N.  
Towns, D.  
Wallace, A.

#### **ALSO PRESENT**

R. Wearmouth, Portfolio Holder for Corporate Services

#### **OFFICERS IN ATTENDANCE**

Hadfield, K.	Democratic and Electoral Services Manager
Hartwell, A.	Senior Manager - Performance and Systems Support
Hunter, P.	Senior Service Director
Lally, D.	Chief Executive
Masson, N.	Deputy Monitoring Officer
McDonald, K.	Acting Chief Internal Auditor
McEvoy Carr, C.	Executive Director of Children's Services and Adult Social Care
Willis, J.	Interim S151 Officer

#### **ALSO IN ATTENDANCE**

Waddell, C.

Mazars

The Chair advised that he had an item of urgent business for consideration by members. As Councillor Dickinson had to leave the meeting at 4.00pm, he would bring this matter forward on the agenda.

### **12. MEMBERSHIP**

**RESOLVED** that the change in membership from Councillor Grimshaw to Councillor Wallace be noted.

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### **13. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Taylor and from Mr Topping.

### **14. MINUTES**

**RESOLVED** that the minutes of the meeting of the Audit Committee held on 28 July 2021, as circulated, be confirmed as a true record and signed by the Chair.

### **15. DISCLOSURES OF INTEREST**

Councillor Oliver advised that, with regard to item 17 on the agenda (Administration of COVID-19 Business Support Grants), his wife's business had received such grants and he queried whether he needed to declare an interest. The Deputy Monitoring Officer advised that it would be wise to do so, going off the information provided. Councillor Oliver confirmed therefore that he would not participate in the discussion.

Councillor Dickinson advised that, in respect of interests as a director of companies which had received covid support, it had previously been clarified that it was not necessary to declare this as the criteria had been set for the receipt of grants, and members were not involved in the decision making on the awards. However, he would declare the interests which were registered on his declaration already if other members were doing so.

Councillor Oliver commented that many town and parish councils had received covid grants which would affect other members and may lead to the meeting being inquorate.

The Deputy Monitoring Officer advised that if advice had previously been given, which had been provided under full consideration of the issues, then members should abide by that. Also, the report was simply for members to note and no decision was being sought.

Councillor Cessford advised that he was a treasurer of a charitable club which had received several grants. He had declared this previously at Council and received the same advice.

### **16. URGENT BUSINESS**

#### **2019-20 Final Statement of Accounts**

The Chair confirmed to members that he had an item of urgent business to deal with. The 2019-20 Final Statement of Accounts had been considered at the July meeting and following a query at the adjourned September meeting regarding the quoracy of the July meeting, there was now a need for members to ratify the decision taken at the July meeting on this matter. The matter was urgent and could not be deferred to the next ordinary meeting due to the importance of confirming the accounts which needed to be properly adopted by the Council without delay.

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He did not propose to go through the report again but asked if members had any questions.

Councillor Towns advised that, as he had not been at the July meeting, he would abstain from the vote. This was a personal decision.

Councillor Jackson advised that his view remained that without the value for money statement the accounts were not complete.

Mr Waddell informed members that the VFM statement was a completely separate issue to the opinion on the financial statements and wouldn't hold up the process for their approval. Regarding the ongoing work on the VFM statement, this was ongoing and the likely conclusion was one of qualified. The two issues which remained were the constitution not being up to date at the 31<sup>st</sup> March 2020 and the issues in relation to International which were still being discussed with the S151 Officer.

Councillor Jackson acknowledged the points from the External Auditor but maintained his view that members did not have the complete picture until the VFM opinion was complete and he would therefore maintain his abstention.

The Chair asked members if they were able to confirm the decision taken at the July meeting. He moved that the decision taken on the 2019-20 Final Statement of Accounts at the July meeting be ratified. This was seconded by Councillor Dickinson based on the advice provided by the External Auditor, the detailed report from the S151 Officer and the debate at the July meeting.

Councillor Oliver queried whether it was in order for the Chair, as a non voting member, to move a recommendation and the Deputy Monitoring Officer confirmed that it was as there was no requirement that the mover of a motion had to vote.

On the matter being put to the vote there voted FOR: 4; AGAINST:0; ABSTENTIONS: 2 (Councillors Jackson and Towns).

It was therefore **RESOLVED** that the Statement of Accounts for the Council for the financial year ended 31 March 2020 be approved.

## **17. REPORTS OF THE INTERIM EXECUTIVE DIRECTOR OF FINANCE AND SECTION 151 OFFICER**

### **(1) Treasury Management Annual Report for the Financial Year 2020-21**

This report provided details of performance against the Treasury Management Strategy Statement (TMSS) 2020-21, approved by the County Council on 19 February 2020. The report provided a review of borrowing and investment performance for 2020-21, 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

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approved by the Authority in the TMSS (copy attached to the signed minutes). The report was introduced by the S151 Officer.

Councillor Jackson queried what challenges there had been for treasury management arising from the pandemic. Mrs Willis advised that the Government had brought forward a package of support for local authorities including S31 grants and funding to support the local economy and compensation for loss of fees and charges, as well as more general support to help authorities with additional costs to respond to the pandemic. This had resulted in an influx of cash and finding places to invest it had been a challenge when other local authorities had not been an option, as would normally be the case. External borrowing had been lower than normal and internal borrowing used instead on a short term basis. In time, this would revert back to normal but it had meant that it had been possible to save money on interest payments. In general, the main issue had been about how to manage the influx of cash and the knock on effect on the Council's borrowing activity.

The Chair commented that there were reports in the media about interest rates increasing at least once in the coming year. He asked whether the Council had the resilience to deal with that. Mrs Willis advised that treasury management advice was that rates were likely to increase but these would not be significant. This would be kept under review, but she had no immediate concerns about the interest rate outlook.

**RESOLVED** that:-

- (a) the report be received and the Committee note the performance of the Treasury Management function for 2020-21; and
- (b) the report be recommended to Council.

**(2) The Statement of Accounts for the Year Ended 31 March 2021**

Members were presented with the draft (unaudited) Statement of Accounts for the year ended 31 March 2021 and asked to consider any significant issues arising from the accounts (copy attached to the signed minutes).

The report was presented by Mrs Willis and she reminded members about the opportunity for them to go through the accounts with officers if they so wished. The accounts were late because of the delay in signing of the previous years' accounts and it was expected that final approval would around the end of the year, in line with many other authorities.

Mr Waddell informed members that 55% of councils did not publish their audited accounts by the deadline last year. Across England this year, very few authorities had signed off their accounts to date. It was under double figures nationally.

**RESOLVED** that the Statement of Accounts for the Year Ended 31 March 2021 be received.

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### **(3) Northumberland County Council – Consideration Of ‘Going Concern Status’ for The Statement of Accounts for the Year Ended 31 March 2021**

Northumberland County Council was required to assess whether it should be considered as a ‘going concern’ organisation, and whether the Council’s annual accounts should be prepared on that basis. The report considered the Council’s status as a going concern and recommended that Members approve this (copy attached to the signed minutes).

Mrs Willis detailed the main points of the report for members.

The Chair asked what problems there had been with income generally and whether Mrs Willis was optimistic that income could regain its previous levels. Mrs Willis advised that performance on collection of business rates and council tax had held up quite well compared to most other local authorities. Regarding collection fund losses, the government had introduced the ability for any losses to be spread over three years so it was too soon to know when collection rates would return to normal. In some areas, the pandemic did not appear to have had any impact on income, such as planning application income.

Councillor Dickinson queried whether there were any figures available regarding what had been spent by the Authority to deal with the pandemic and what had been received from the government to cover that. Were settlements still ongoing or had the Authority been fully reimbursed? Mrs Willis advised that this was still an evolving picture. Some additional covid grant had been received for this year and it looked like the additional funding would be sufficient to cover the additional costs. There had been so many different funding streams and grants that having a complete overview was difficult. As it would take some time for the effects of the pandemic to work their way through the system, it would be some time before there was a complete picture, which would include looking at the overall financial impact, but the Authority was in a strong position.

**RESOLVED** that Audit Committee approve that the Council is a going concern and that the accounts are prepared on that basis.

### **(4) Draft Annual Governance Statement 2020-21**

The purpose of the report was to enable the Audit Committee to review the draft Annual Governance Statement 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 (copy attached to the signed minutes).

Councillor Jackson felt that the report did not fully address some of the problems which the Council had had in the last year including whether the Council had been acting within the law in one particular instance. There was no recognition of the high turnover of statutory officers and there was currently no monitoring officer – a couple of interim ones had been replaced and now there were none at all which was a serious issue for the Council, which wasn’t reflected in the report.

It was important that the Audit Committee was seen to be independent and work within its terms of reference but members had been told at the first meeting that

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they could not put items on the agenda for investigation. The Governance Accountability Group mentioned in the report had been set up to review the process of a number of complaints but it had not been recognised in the report that some of the officers in the Governance Accountability Group were the officers bringing those complaints. There were various other issues relating to whistleblowing and complaints which did not seem to have been investigated and for these reasons he was not able to accept it.

The Chair responded that some of the issues mentioned were too detailed for a report of this nature and were being looked at in other areas.

Councillor Oliver commented that members had a discussion at the July meeting about the Committee's terms of reference and how it worked and if members had issues they should be raised with the whole group of members. He had raised some issues and he referred to the problems which Councillor Jackson had raised – potential illegal operation of part of the Council, recruitment and governance and accountability processes of the Council. A whole range of new arrangements had been brought to Informal Cabinet and Audit Committee the previous year without a written report. The Statutory Officers Group and the Governance Accountability Group had been put in place and they had not been properly used. He felt that there were serious deficiencies in the Council's governance arrangements and he felt a discussion was needed on how to raise such things for the agenda. Members had been told at the last meeting by the Head of Governance that she would decide what matters were included on the work programme. He could not support a Governance Statement which he didn't feel reflected what was actually happening.

The Chief Executive responded to members that the Statutory Officers Group did meet and had terms of reference and discussed key and critical issues before they went into formal processes. She had not been party to the other groups mentioned but if members had issues she asked that they be put in writing to her or the relevant statutory officer and they would be looked into. The report in front of members had been through the Informal Cabinet process and had sign off from the lead member for Corporate Services and the Leader of the Council who had raised no issues of concern. The review around the scheme of delegation was ongoing. Members had referred to involvement of officers in complaints but those members had also been involved. In any areas that were raised with officers, appropriate statutory officer advice was taken and external legal advice where necessary. She fully supported the report, and if members had other issues they wished to raise with her they should do so in writing. Regarding the Monitoring Officer, she advised members that he had left the Authority only last week and arrangements were in place to appoint his replacement at Council on 3 November.

Councillor Towns commented that the issues which members had raised were concerning but he was reassured by the Chief Executive's response. He agreed with the comments about the turnover of senior staff, there did seem to have been a high number of monitoring officers in place and this gave rise to the risk of problems. Why were people not staying? He queried whether the External Auditor had any comment to make on the discussion.

The Chief Executive responded that there had been only one Monitoring Officer in place since 2008 and he had left last week. He had nominated deputy monitoring officers which a number of councils did. Regarding the turnover of senior staff, the

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Council had had some difficult situations to deal with in the last couple of years, and if officers found it difficult to remain with the Authority then they would move on. There had been a higher turnover than she would have liked but statutory officer cover had been maintained at all times. There had been some short term appointments but there were also some very long standing key members of staff in place. Council had recently agreed a report on Executive management arrangements and members were already aware of the review currently being undertaken.

Mr Waddell advised members that Mazars had not begun to audit the AGS yet but it had to be looked at in terms of whether it was a fair summary of the Council's arrangements, whether there were any weaknesses or scope for improvement and also whether this was underpinned by robust evidence. This would all be looked at in the audit.

Councillor Towns commented that there had been a number of changes in the person fulfilling the role of Monitoring Officer while the permanent officer had not been available and that gave him concerns though he accepted the clarification that had been given. Regarding the AGS, he sought confirmation that this was a draft for members to approve, and would still be subject to external audit where the concerns members had raised would be taken into account.

Mrs Wills confirmed this was a draft statement which captured all of the governance issues which took place in the 2020-21 financial year, so some of the issues raised today fell outwith that timeframe and subject matter for the report. However, the draft statement would now be audited by Mazars and when the final accounts were approved, a final version of the AGS would come back to the Committee to capture any further issues that arose. Some of the matters which had been raised were still under discussion or subject to investigation. She was discussing the International issue and whether the Council had acted within its powers with Mr Waddell. She had taken external legal advice on it and Mr Waddell would be reporting on it as part of his VFM opinion. All of the governance issues members had raised were being dealt with, but some were complex and were taking time to resolve. Regarding the Committee setting its work programme, her understanding of the discussion at the July meeting was that it had been about the internal audit programme, which was based on a risk assessment from the Chief Internal Auditor.

Mr McDonald stressed that any member could raise issues with him as Chief Internal Auditor. An audit plan for the year ahead was brought to Committee in March. If new issues or risks emerged during the year he then had to consider those in light of the existing audit plan and would report any variances to members. It would be unusual for there not to be changes to the plan during the course of the year. He had a duty to balance the resource available to him and to direct those resources to where the risks were the greatest. He felt the work programme issue had become confused and agreed that it was for the Audit Committee to determine what it needed to receive in order to fulfil its terms of reference.

Councillor Oliver sought clarification that the Committee could influence the audit plan by raising issues which the Chief Internal Auditor would assess for risk and prioritise in relation to what was already on the plan. The Chair agreed and added that the service did not have inexhaustible resources and that it was not always the internal auditor that matters needed to be raised with.

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Councillor Dickinson stressed that matters should not be referred to as illegal when members were talking about exercising the Council's ability to act. The three matters which members had discussed were not appropriate for discussion in this forum and should have been ruled out. Everyone was aware of ongoing investigations which would ultimately lead to an outcome and in some cases members would have to take responsibility for the staff turnover which had been referred to. The draft AGS was a good piece of work and had been signed off appropriately, clarification had been provided on a number of issues and he had no sense that he as a member of the Committee would be prevented from raising issues for discussion. Furthermore, the AGS would receive external audit before coming back to members.

Councillor Jackson commented that there had been a Monitoring Officer in place for the last year but he had been off sick for that time so that was why he felt he had not had full access to that statutory officer. He referred to the last sentence in the document which was the part that he did not accept. He welcomed the fact that the external auditor would review the report and would appreciate a discussion with him on the detail.

Councillor Dickinson moved the report's recommendations, which was seconded by Councillor Wallace. On this being put to the vote there voted FOR: 3; AGAINST:3; ABSTENTIONS:0.

Mrs Willis quoted the requirements of the Accounts and Audit Regulations 2015 to members and advised that if members could not approve the draft AGS today then that was not necessarily a problem, though the Committee would need to approve the final version. Further discussion could be held, and a revised draft brought to members. The normal practice would be to publish the draft AGS and annual accounts so the draft would be published as it was, or she could circulate a further draft which took on board the issues raised today, but the outcome would not be different either way.

It was therefore **RESOLVED** that the draft AGS be published and would now proceed to External Audit

#### **(5) Corporate Fraud Team – Counter Fraud Annual Report**

The report updated Audit Committee on work undertaken by the Corporate Fraud Team within the Council covering the period 1 April 2020 - 31 March 2021 (copy attached to the signed minutes).

Councillor Towns commented that this was impressive work and really important that this level of due diligence was undertaken especially in regard to the right to buy. It was good to see that the authority was continuing to commercialise that service for external third parties too. The team was producing great results. Councillor Dickinson asked whether this work had covered covid grants and fraudulent claims. Mrs Willis confirmed that some work had been done on this during the year by Internal Audit and some of that verification work was still ongoing. 18 grants had been referred to the team for investigation. The report had

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not encompassed the whole period when grants were issued and it was possible that other cases would come to light as a result of ongoing verification.

The Chair asked a question about the DWP figure being low. Mrs Willis agreed this was on the low side. The Authority had not had the number of referrals it would normally expect because DWP working had been impacted.

Councillor Cessford commented that 35 right to buy applications had been withdrawn and asked if these would be brought back in future. Mrs Willis replied that this would depend on the individual cases and it wasn't normal practice to prosecute in every case. Councillor Cessford asked if there was any information about which cases were made in error and which were attempts at deliberate fraud. Mrs Willis advised that this information was not available but where fraud was suspected then prosecutions would be pursued.

**RESOLVED** that the progress in work undertaken by the Corporate Fraud Team since the last report in March 2021 and the steps being taken to recover any monies owed to the Council be noted.

## **18. REPORT OF THE EXECUTIVE DIRECTOR OF ADULTS SOCIAL CARE AND CHILDREN'S SERVICES**

### **Review of External Inspection Reports – Adults and Children's Services**

The report informed members of the activity pertaining to Adults and Children's Services regarding external inspections and associated actions from 1st October 2020 to 30th June 2021.

The report was presented by Alan Hartwell.

Councillor Oliver commented that the results were very encouraging and asked how quickly could lost ground from Covid could be recovered. Mrs McEvoy Carr advised that there were a lot of resources being targeted at schools to help pupils catch up. They were receiving additional funding for tutoring and different types of programmes. The Government had recently published information about what exams would look like next year and schools were looking at the implications of this in more detail now. Officers were working with schools to help them as much as possible but most schools were getting on and delivering the education that was needed.

Councillor Cessford asked for clarification regarding judgements and inspections made in paragraph 5.1. Mr Hartwell advised that the four providers who had from from good to required improvement were from the independent sector. All of the local authority managed provision was judged as being outstanding or good. Mrs McEvoy Carr advised that she could get the detail of the issues relating to the four providers for Councillor Cessford.

**RESOLVED** that the findings and the effectiveness of the scrutiny arrangements be noted.

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**19. REPORT OF THE EXTERNAL AUDITOR**

**2020-21 Progress Report**

Cameron Waddell drew members’ attention to the main points in the report (copy attached to the signed minutes).

He recommended that the Committee schedule in formal consideration of the results of the external quality review published by PSA into its work programme.

**RESOLVED** that the progress report be received.

**20. 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 item 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:-

<p>Agenda Items 16 and 17</p>	<p>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.</p>
<p>18</p>	<p>Paragraph 3 &amp; 4 of Part 1 of Schedule 12A Information relating to the financial or business affairs of any particular person (including the authority holding that information), and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the Authority. Disclosure because disclosure would adversely affect commercial confidentiality requirements and hence the Authority’s ability to conduct its affairs.</p>

**21. GROUP AUDIT COMMITTEE Report of the Acting Chief Internal Auditor**

**Advance Northumberland Internal Audit Plan and Key Outcomes**

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## **Update**

The report advised the Group Audit Committee on the 2021-2022 Internal Audit Plan covering Advance Northumberland Group of Companies (Advance), together with an update on Internal Audit reports issued during the period from December 2020 to September 2021 (copy attached to the signed minutes, and coloured pink).

**RESOLVED** that the recommendation, as detailed in the report, be agreed.

## **22. REPORT OF THE ACTING CHIEF INTERNAL AUDITOR**

### **Administration of COVID-19 Business Support Grants**

The report advised Audit Committee of internal controls established to govern the administration of Government Covid-19 business support grants and other assurance processes put in place (copy attached to the signed minutes and coloured pink).

**RESOLVED** that the position statement and details of governance arrangements established, as detailed in Appendix 1, be noted.

## **23. REPORT OF THE SERVICE DIRECTOR-CORPORATE ASSURANCE**

### **Conclusion of Shared Service Arrangement (Internal Audit and Risk Management)**

The report informed Audit Committee of upcoming changes to service delivery arrangements for Internal Audit and Risk Management within Northumberland County Council (copy attached to the signed minutes and coloured pink).

The report was presented by the Chief Executive who detailed the key points of the report.

Councillor Oliver asked what had prompted the decision to return to a single service and whether both authorities had agreed it was the right course of action. The Chief Executive confirmed that both authorities had agreed as part of the regular review of the shared arrangement. There had been issues in recruiting to the wider support service and the single service had a number of benefits, not least that the Chief Internal Auditor was a very important role. It would also provide the Northumberland team with opportunities for growth and development.

Councillor Dickinson commented that Northumberland had benefitted from the shared arrangement and he wished to place on record his thanks to Allison Mitchell and Kevin McDonald for their work in challenging circumstances.

**RESOLVED** that the recommendation, as detailed in the report, be agreed.

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**DATE.....**

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