

**Approved Minutes
Audit and Standards Committee**

4 April 2019

(2.00 - 3.00 pm)

Meeting held: Committee Room, Newcastle Civic Centre, Newcastle upon Tyne, NE1 8QH

Present:

Chair: Doug Ross

Councillors: A Chisholm, C Penny-Evans, D Cox, R Glendon, M Rankin, S Dickinson, M Swinburn, Jeff Watson and G Stone

10 WELCOME AND APOLOGIES

Apologies were received from Cllr A Lower

11 APPOINTMENT OF THE VICE CHAIR OF THE NORTH OF TYNE COMBINED AUTHORITY AUDIT AND STANDARDS COMMITTEE FOR THE MUNICIPAL YEAR 2018/19

Councillor D Cox and Councillor M Swinburn were both nominated and seconded for the position of Vice Chair of the Audit and Standards Committee

RESOLVED – that Councillor D Cox was appointed Vice Chair for the Municipal Year 2018/2019

12 MINUTES OF THE PREVIOUS MEETING HELD ON 14 FEBRUARY 2019

The minutes of the meeting held on 14 February 2019 were agreed as a correct record and signed by the Chair.

13 ACCOUNTING POLICIES TO BE USED IN THE COMPILATION OF THE 2018/19 STATEMENT OF ACCOUNTS

Submitted: Report of the Chief Finance Officer (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to provide the Audit and Standards Committee with details of the proposed Accounting Policies that will be used in the compilation of the 2018/19 Annual Statement of Accounts (The Accounts).

J Gillespie outlined the report informing Members of 2 important deadlines; the end of May deadline in order to produce the Accounts and the end of July to be approved and subsequently published. Reference was also made to the complexities involved with the North East Combined Authority (NECA) and the NTCA share of the transport element; the New Tyne Crossing and the income from the tolls.

RESOLVED that the Audit and Standards Committee –

- i) Endorsed the Accounting Policies to be adopted by the Authority and used to compile the Authority's Accounts for the financial year ended 31 March 2019.
- ii) Noted the work outlined in respect of the closure of the 2018/19 Accounts.

At this point the Chief Finance Officer introduced the representatives from the External Auditors, EY, who will be the external auditors for the newly formed North of Tyne Combined Authority. Nicola Wright introduced her colleagues Stephen Reid and Stuart Kenny and gave a brief explanation of their role.

14 **INTERNAL AUDIT PLAN - INTERNAL AUDIT INITIAL COVERAGE 2018/19 AND INTERNAL AUDIT STRATEGIC AUDIT PLAN 2019/20**

Submitted: Report of the Chief Internal Auditor (previously circulated and a copy attached to the Official Minutes).

Consideration was given to the report the purpose of which was to outline a summary of initial Internal Audit coverage to date in the first part-year of operation of the North of Tyne Combined Authority (2018/19), and further Internal Audit work to be performed in respect of the 2018/19 year; and the Proposed Strategic Audit Plan for 2019/20 for consideration and endorsement by the Audit and Standards Committee.

A Mitchell outlined the report and reminded the Committee that the North of Tyne Combined Authority (NTCA) is still new and therefore there are inherent risks in establishing effective financial and other governance systems for the authority.

Attention was drawn to the proposed Internal Audit Plan 2019/20 and - Core Governance Systems – Diagnostic Assessment Tool (first part of 2019/20) and Risk Based Assessments (second part of 2019/20) and an explanation given as to the purpose (Appendix A); Financial Procedure Notes and the NTCA Internal Audit Plan 2019/20.

During discussion comments and questions from Members included:

1. Responding to a question regarding the management of fraud A Mitchell acknowledged that whilst this is not referred to in the report, Officers are aware and mindful of the potential, explaining how internal audit will monitor the risk.
2. Reference was made to Financial Procedure Note 7, Control 40 and a suggestion made that officers provide Members with further information on how to complete and submit claims.
3. A member referred to Financial Procedure Note 2, Controls 6 and 7 and requested an update at a future meeting.

RESOLVED that the Audit and Standards Committee:

- i) Noted that a range of financial and other governance processes are currently being developed and established for the North of Tyne Combined Authority but are not yet fully embedded.
- ii) Noted the initial diagnostic work on the governance framework which has been performed by Internal Audit in 2018/19.
- iii) Noted that this work will continue into the first quarter of 2019/20, in order to provide a sound evidence base on which the 2018/19 opinion of the Chief Internal Auditor on the Framework of Governance, Risk Management and Control can be prepared.
- iv) Noted that a diagnostic assessment tool, attached as **Appendix A**, has been developed to provide an efficient and effective method of supporting the North of Tyne Combined Authority in assessing the Framework of Governance, Risk Management and Control.
- v) Considered and endorsed the proposed 2019/20 Internal Audit Plan, attached as **Appendix B**, which is based on an assessment of audit risk and designed to focus on the North of Tyne Combined Authority key objectives in the 2019/20 year.

15 **AUDIT & STANDARDS COMMITTEE - STRATEGIC RISK REPORT**

Submitted: Report of the Chief Internal Auditor (Newcastle City Council) (previously circulated and a copy attached to the Official Minutes).

The purpose of the report was to introduce the draft Risk Management Policy and Strategy and provide members with information on the development of a draft Strategic Risk Register for the North of Tyne Combined Authority (NTCA).

Based on discussions to date initial work has identified 2 risks and 1 opportunity: -

- Risk – Devolution
- Risk – Operational Capacity and Resources
- Opportunity – Partnerships

Details of the above are set out in Appendix A to the report.

Comments and questions from Members

1. It was highlighted by members of the Committee that reports had been submitted to the Committee from two report authors bearing the title 'Chief Internal Auditor'. Clarification was sought by members as to who was NTCA's Chief Internal Auditor. It was confirmed that A Mitchell is Chief Internal Auditor for NTCA, and only one officer can hold that role for the Authority. The confusion appeared to have arisen because of titles held by officers in their constituent authority roles appearing as titles on NTCA reports. It was suggested by officers that some thought be given to role titles prior to the next meeting to clearly differentiate between officers providing Internal Audit or Risk Management roles to NTCA.
2. Responding to a question regarding the impact of BREXIT in each of the 3 local authority areas P Slater gave assurances that all identifiable controls were considered for NTCA, and each of the 3 local authorities would be considering their own arrangements.
3. A Member acknowledged that BREXIT is a strong, important risk and requested that the Committee be kept informed of any issues that arise.

RESOLVED that the Audit and Standards Committee:

- i) Acknowledged the draft strategic risk and opportunities descriptions and noted the action to identify risk owners and determine risk priorities (Appendix A).

Agreed the Risk and Opportunity Management Policy and Strategy (Appendix B).

16 **ANNUAL GOVERNANCE STATEMENT**

Submitted: Report of the Chief Internal Auditor (Newcastle City Council) (previously circulated and a copy attached to the Official Minutes).

P Slater outlined the report which presented the provisional outcome of the review of the Authority's governance and internal control arrangements for 2 November 2018 up to 31 March 2019. The draft Annual Governance Statement (AGS) was provided at Appendix A of the report.

Members attention was drawn to the Annual Review of Effectiveness of Governance Framework (section 5 of Appendix A) and the methods used to inform the review. It

was noted that a final AGS and the outcomes of the review will be reported to the next meeting of the Audit and Standards Committee.

A committee member raised an issue with governance arrangements for the committee, in particular the number of supplemental reports, some of which have been circulated just 24 hours before the meeting. It was requested that this concern be noted in the minutes and steps taken to ensure timely publication of reports to all committees of the authority.

RESOLVED that the Audit and Standards Committee:

- i) Agreed the draft 2018/19 Annual Governance Statement narrative.
- ii) Acknowledged that the Statement will be subject to further review in July 2019 following completion of the external audit of accounts and before it is signed by the Head of Paid Service and the Mayor.

17 **CODE OF CONDUCT FOR MEMBERS - DISPENSATIONS**

Submitted: Report of the Interim Monitoring Officer (previously circulated and a copy attached to the Official Minutes).

Members considered the report which sought the Committee's agreement to confirm the dispensations granted previously to the Authority's Cabinet Members, together with the creation of an ad-hoc sub-committee to deal with future requests for dispensations and the scope for the Interim Monitoring Officer, in consultation with the Chair, to issue dispensations in cases of urgency. J Softly confirmed that any dispensations which were issued under these arrangements would be reported back to the next scheduled meeting of the Committee.

RESOLVED that the Committee agreed:

- i) To grant the dispensations to Cabinet Members as set out in section 1.4 of the report.
- ii) To establish the ad-hoc sub-committee to deal with future requests for dispensations as described in section 2.1 of the report.
- iii) The 3 members of the ad-hoc sub-committee to rotate across the 3 local authorities.
- iv) To authorise the Interim Monitoring Officer, in consultation with the Chair (or, in his/her absence, the Vice Chair) to issue dispensations in the circumstances outlined in sections 1.4 and 2.2

18 **DATE AND TIME OF NEXT MEETING**