

Audit and Standards Committee

Tuesday 21 January 2020 at 10.00 am

Meeting to be held: Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

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AGENDA

	Page No
1. Welcome and Apologies	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
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5. Internal Audit Quarterly Update Report	9 - 14
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8. Update Report on progress against the Internal Audit Diagnostic Toolkit	29 - 48

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| 9. | Strategic Risk and Opportunities Register | 49 - 60 |
| 10. | 2019/20 Annual Governance Statement Assurance Framework | 61 - 64 |
| 11. | External Audit - Annual Audit Letter | 65 - 72 |
| 12. | Date and Time of Next Meeting | |

21 April 2020 at 10.00am at North Tyneside Council

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Draft Minutes for Approval Audit and Standards Committee

17 September 2019

(10.00 - 10.35 am)

Meeting held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Minutes

Present:

Chair: Doug Ross

Councillors: A Chisholm, C Penny-Evans, D Cox, R Glindon, M Rankin and C Seymour

28 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting. Apologies were received from Cllr Swinburn, Cllr Lower and Cllr Watson

29 DECLARATIONS OF INTEREST

None

30 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 27 JULY 2019

The minutes of the meeting held on 27 July 2019 were agreed as a correct record and signed by the Chair.

Matters arising:

Minutes 25 refers – Statement of Accounts and External Audit. The Chief Auditor provided an update on progress with the appointment of the External Auditor and the Accounts. Members had already received a full explanation from the Chief Finance Officer of steps taken to secure a new Local Auditor for the Combined Authority and a copy of the draft Financial Report 2018/19.

31 INTERNAL AUDIT - QUARTERLY UPDATE REPORT

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 outlined progress to date against the 2019/20 Internal Audit Plan.

The Chief Internal Auditor presented the report and reminded members that the Combined Authority has only been in existence for a relatively short time but as the Authority develops reports to committee will be more substantial.

At this point the Chief Internal Auditor introduced Katie Laing who has joined the finance team.

The Chief Internal Auditor advised the meeting that, as reported to the 26 July meeting of the Audit and Standards Committee, the assessment of fundamental systems and processes using the diagnostic toolkit was completed in the first half of 2019/20 as planned. A schedule of recommendations arising from this work has been prepared and updated by management to include management responses to address each recommendation, along with a target completion date for each of the recommendations. The Chief Internal Auditor stated that the CFO had advised that resourcing was being reviewed and strengthened, in order to ensure capacity is appropriate in respect of all fundamental financial activities.

Attention was drawn to the Adult Education Budget (AEB), an emerging key area and now included in the audit plan. Other planned audits highlighted were the Assurance Framework, I.T systems and Risk Management. Tony Candlish (Northumberland County Council) was introduced to committee. Tony has been assigned as the lead auditor for the Combine Authority.

During discussion members put the following queries/comments:

A member referred to the strategic direction of the Combined Authority and areas set out in the audit plan which in his view had changed. The Chief Internal Auditor responded with assurances that there were no changes in direction, but risks are constantly under review and the audit plan monitored as new higher risks are identified.

The Chief Internal Auditor was asked to explain how audit processes/areas of key assurance can be used to ensure compliance with governance arrangements. The Chief Internal Auditor stated that under the 'three lines of defence' model of assurance, it is a responsibility of managers to establish and monitor sound systems of control. Internal Audit were then a further line of defence in the model.

RESOLVED – that the report be received and noted.

32 DRAFT STRATEGIC RISK AND OPPORTUNITIES REGISTER

Submitted: Report of the Risk Advisor to the NTCA (previously circulated and a copy attached to the Official Minutes).

The Risk Advisor outlined the report the purpose of which was to provide members with a draft Strategic Risk and Opportunities Register (Appendix A). Members were reminded of the most significant risks; delivery of devolution and the Authority's operational capacity. An opportunity to strengthen the Authority's existing partnership arrangements is also being monitored.

In relation to NTCA's operational capacity it was noted that this was moving in a positive direction and had been regraded to 'Amber'. Most staffing posts were now filled, and Katie Laing has been appointed to assist the Chief Finance (S 73) Officer.

During discussion members put the following questions/comments

Reference was made to Cabinet ownership of all risks therefore relieving the committee of responsibility. Confirmation was sought that this was correct.

In response the Risk Advisor explained that any comments from the Audit and Standards Committee will be passed to the Cabinet. He also gave a brief account of a workshop held at the beginning of the Combined Authority's establishment; this was attended by officers from across the three constituent authorities. One of the tasks of those in attendance was to identify likely risks in the early stages of the Authority's existence, however the risks can change.

A member referred to the risks detailed on page 19 of the report 'Partnerships' and asked how often the authority met with the Business Community. The Risk Advisor agreed to circulate the information to committee.

Responding to a comment in respect of staffing posts/responsibilities it was agreed to circulate an organisational structure chart to members.

A member spoke about the details of the risks and commented that they were all high level. Specific reference was made to the Adult Education Budget (AEB) included within the 'Delivery of Devolution' risk and whether once the Combined Authority takes control of the AEB the risks would be explained in greater detail. In response the Risk Advisor explained that the risk register will always provide details of large risks or threats. At the current time the AEB has not been identified as a risk but this was not impossible and could change in the future.

RESOLVED that the Audit and Standards Committee:

- (i) Reviewed the strategic risk and opportunities register.
- (ii) Acknowledged that the operational capacity and resources risk priority has reduced from red to amber. This is as a result of permanent Director appointments being made and other post that are now filled.
- (iii) Acknowledged that the draft strategic risk register will be presented to Cabinet for approval at a future meeting in October 2019.
- (iv) Acknowledged that strategic risks identified by the North East Joint Transport Committee will be presented to Audit and Standards Committee at its January 2020 meeting.

33 **DATE AND TIME OF NEXT MEETING**

21 January 2020



Draft minutes for approval Audit and Standards Committee

16 December 2019

(10.00 - 10.40 am)

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

Minutes

Present:

Chair: Mr D Ross

Councillors: A Chisholm, M Swinburn and G Stone (reserve)

34 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and brief introductions were provided.

Apologies for absence were received from Councillors Cox, Penny-Evans, Dickinson, Glindon, Lower and Watson.

The Chair noted that the committee was not quorate, and decisions would need to be ratified at the next meeting.

Committee agreed to change the order of the agenda, taking agenda item 5 first.

It was noted that as an extraordinary meeting to consider the accounts, the minutes of the last meeting would be considered at the next ordinary meeting in January.

35 DECLARATIONS OF INTEREST

None.

36 ANNUAL GOVERNANCE STATEMENT

Submitted: Report of the Risk Advisor to North of Tyne Combined Authority (previously circulated and a copy attached to the Official Minutes).

The Risk Advisor to NTCA introduced the report, indicating that the document considered in July had now been updated with the positive external audit opinion and narrative that the auditor has requested.

Committee recommended that the Annual Governance Statement be included in the Authority's 2018/19 annual accounts and recommended it for signature by the Mayor and Interim Head of Paid Service.

37 NORTH OF TYNE COMBINED AUTHORITY ACCOUNTS: PERIOD ENDED 31 MARCH 2019

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

The Chief Finance Officer introduced the report, highlighting the appointment of Mazars as external auditors and the inclusion in the document of both single entity accounts and group accounts, covering a share of NECA and Nexus activity.

It was confirmed that the accounts have not substantially changed from the draft prepared in July, but now include narrative on joint transport activity, as recommended by the auditors. No queries or concerns have been received from the public.

In discussion, committee members raised the following points:

- That the inclusion of any explanation provided in response to areas queried by the committee, would help to provide greater clarity and understanding for the public and media. The Chief Finance Officer indicated there was potential to include this narrative in a future simplified public document.
- The increase in employee expenses was noted and it was suggested that it would be helpful to provide a split of employee expenses between the Mayor's office and combined authority employees.
- It was explained that due to the direct appointment of Mazars they are not listed with Public Sector Audit Appointments Ltd (PSAA). They have recently been appointed for 2019-20 to 22-23 and the listing should appear shortly.
- It was confirmed that no audit costs were incurred by EY.
- It was suggested that in future years members of the committee could be invited to a briefing on the draft statement of accounts.
- It was noted that the level of NECA and NEXUS activity included with in the accounts, is based on population of the NTCA area.

The Chair brought the discussion to a close, highlighting that the accounts reflected a period of formation of the combined authority, indicating that he considered they were a true reflection of the current position.

Committee recommended that the Audited Statement of Accounts for 2018/19 be submitted to Cabinet for approval.

38 AUDIT COMPLETION REPORTS

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

The external auditor introduced the report, highlighting amendments to the accounts due to the knock-on impact of amendments to Nexus accounts that have been made to ensure consistency with other Public Transport Executive's and to reflect changes due to the creation of NTCA and ongoing pension related issues.

It was confirmed that a non-qualified summary statement will be issued.

In respect of the value for money assessment, it was recognised that NTCA is a new organisation and the audit had therefore focused on what has been completed and action taken to mitigate risk.

The previously appointed external auditors, EY have indicated that there were no issues, public queries or objections.

It was confirmed that in respect of the outstanding audit work referred to in the executive summary, only the whole of government accounts and audit closure procedures remain to be completed and will be in the coming days.

There are no materiality issues to report to the committee.

In respect of significant risks and key areas of management judgement the audit has focused on:

- The risk of management override of controls - there are no issues to report.
- Revenue recognition - there are no issues to report.
- Retirement benefit liability valuation risk – is noted as a significant liability at the group level. NECA pension liability is reflected 100% in the NECA accounts as required by the Order. Other pension liabilities are split on the basis of population. Advice has been taken on this and work is ongoing on this area.
- Proposed devolution accounting treatment – the audit has identified that there is scope to improve quality assurance processes and this has been accepted by management.

Some difficulties were experienced during the audit as systems and practices were not fully developed or embedded and more testing was required to provide assurance.

In respect to of internal control there are no significant issues to report.

In discussion, committee members raised the following points:

- A member queried the omission of the Tyne & Wear Sub-Committee in areas in which the Authority has developed relationships, referred to in the value for money conclusion. In response, it was noted that where there is a satisfactory assessment of arrangements, only a summary of these is provided.

- A member expressed concern about reference to NECA throughout the report. In response, it was noted that there are still a number of areas of joint working and the next accounts should reflect that NTCA is more established.

The external auditors confirmed that there had been a positive value for money assessment against the sub-criteria set by the National Audit Office and an unqualified conclusion has been provided.

An overview was provided of the appendices to the report and reference was made to the robust processes of the external auditor to identify potential conflict, thereby ensuring their independence.

Committee recommended that the NTCA Completion Audit Report be submitted to Cabinet for approval.

In summing up, the Chair thanked NTCA staff for the support provided to the committee to its work, which provides assurance to the external auditors and Cabinet.

39 **DATE AND TIME OF NEXT MEETING**

21 January 2020 at 10.00am at the Civic Centre, Newcastle upon Tyne, NE1 8QH

Audit and Standards Committee

21 January 2020

Subject: Internal Audit Quarterly Update Report

Report of: Allison Mitchell, Chief Internal Auditor

Report Summary

The purpose of this report is to outline progress to date against the 2019/20 Internal Audit Plan.

Recommendations

The Audit and Standards Committee is recommended to:

(a) Consider and note Internal Audit's report.

1. Background Information, Proposals and Timetable for Implementation

Internal Audit Coverage 2019/20

Completed Work

- 1.1 The Internal Audit Plan for 2019/20 was approved by the Audit and Standards Committee at its meeting on 4 April 2019. The Audit and Standards Committee agreed that for the first part of the year Internal Audit would focus on the completion of a bespoke diagnostic toolkit developed to help the Combined Authority assess the extent to which the Financial Procedure Notes contained within the Combined Authority's Financial Regulations have been implemented.
- 1.2 As previously reported to the Audit and Standards Committee the assessment of fundamental systems and processes using the diagnostic toolkit was completed in the first half of 2019/20 as planned and a schedule of recommendations, including management responses and a target completion date for each recommendation. The Chief Finance Officer plans to provide a separate report to this meeting of the Audit and Standards Committee setting out progress in implementing the recommendations.

Update on Other Planned Audits

- 1.3 The Internal Audit Plan approved by Audit and Standards Committee on 4 April 2019 set out a number of audits which, following completion of the diagnostic toolkit described above, have formed the basis of Internal Audit's coverage for the second half of the 2019/20 year. Progress against each of these audits as at December 2019 is provided below.

Area for Review	Update
<p>Assurance Framework – This is an integral means by which the Combined Authority will measure and manage its outcomes. As such it is essential that robust arrangements are in place. Internal Audit will review these arrangements.</p> <p>The Chief Finance Officer agrees this is a key area for the Combined Authority and suggested some early assurance work in relation to the processes around the approval of Investment Fund projects, which is a key strand of the Assurance Framework.</p>	<p>The Investment Fund budget is £20m per annum for 30 years, subject to a five-yearly Gateway Review by Government.</p> <p>An Internal Audit Project Brief has been agreed with management and the audit fieldwork stage is underway. The objectives of the review are to assess the adequacy of governance arrangements in relation to Investment Fund projects, and how effectively these arrangements are operating, specifically in relation to:</p> <ul style="list-style-type: none"> • Appraising project applications; • Awarding of Funding; • Monitoring and evaluating projects; • Verifying claims and making payments; and • Overall management of the Investment Fund <p>A sample of projects have been selected for testing, during which project documentation and management information is being reviewed and discussions are being held with responsible officers. It is intended that a final report will be issued in February and reported in our next quarterly update to the Audit and Standards Committee.</p>
<p>Information Systems and Technology – IT systems are fundamental to the efficient and effective discharge of key processes, and it is essential these systems operate effectively and bear suitable safeguards. Internal Audit will undertake a programme of systematic reviews covering key risks associated with computerised delivery.</p>	<p>It is proposed to commence this review in Quarter 4 of 2019/20.</p> <p>Information Systems are provided to the Combined Authority by Newcastle City Council under a Service Level Agreement (SLA) and therefore a key element of this review will be to assess the adequacy of the SLA and how effectively this is being managed by the Combined Authority. A number of key support services are provided through SLAs with the three constituent authorities and the robustness and performance management of these is vital to the effectiveness of the organisation. A wider review of SLA performance management will be considered for inclusion in the 2020/21 Internal Audit Plan.</p>

Area for Review	Update
<p>Performance Management - The arrangements in place to manage relationships between the Combined Authority and its constituent authorities will be reviewed to ensure there is clarity and agreement on key deliverables.</p> <p>The Combined Authority has a SLA with North Tyneside Council (NTC) for performance management. The Chief Finance Officer advised NTC are developing a Performance Management Framework, which is currently at development stage.</p>	<p>Internal Audit have discussed Performance Management with NTC's Performance Manager who advised that support is being provided to assist a number of service areas to develop project specific performance management arrangements. Internal Audit will be reviewing and reporting on these as they are relevant to the planned audit work for 2019/20. For example, the ongoing audit work in relation to the Investment Fund described above includes a review of the performance management arrangements of individual projects and the Investment Fund overall to ensure delivery of the Combined Authority's objectives to drive growth and take forward the organisation's economic priorities.</p> <p>NTC's Performance Manager also advised that he is meeting the Combined Authority's new directors early in 2020 to discuss the development of a corporate performance management framework. It has been agreed that an audit review of this will be considered for inclusion in the 2020/21 Internal Audit Plan.</p>
<p>Risk Management – Internal Audit will work with the Risk Management Officer to review the risk profile of the organisation and to evaluate the arrangements in place.</p> <p>Effective risk management is a fundamental strand of governance.</p>	<p>Internal Audit will liaise with the relevant officers at Newcastle City Council to appraise risk management arrangements in Quarter 4 of 2019/20.</p> <p>Risk Management is delivered to the Combined Authority under a SLA with Newcastle City Council.</p>
Emerging Areas of Assurance Focus	
<p>Adult Education Budget (AEB) – This review was not included in the original Internal Audit Plan submitted in April 2019, however, this is an essential part of the work being delivered by the Combined Authority and would therefore benefit from audit coverage.</p> <p>As part of the devolution deal the government agreed to fully devolve the 19+ Adult Education Budget (AEB) to the Combined Authority.</p>	<p>Internal Audit is supporting the Combined Authority in a project assurance role whilst the organisation develops its governance arrangements around the implementation and ongoing management of the AEB. This role involves Internal Audit advising on, and challenging, the approach to internal control and methods of service delivery. By undertaking this role, the Internal Audit Service proactively acts as a partner to the Combined Authority, in order to assist the organisation achieve its objectives.</p> <p>The Director of Economic Growth and the Head of Inclusive Growth are responsible for managing the implementation of the AEB within the Combined</p>

Area for Review	Update
<p>This was approved by Parliament on 31 October 2019, following which a Memorandum of Understanding between NTCA and the Department for Education was signed on 5 December 2019. The AEB budget will be transferred to the Combined Authority from August 2020.</p> <p>The principal purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship/traineeship, or other further learning and to play a key role in Combined Authority's economic growth and reform agenda.</p> <p>The devolved AEB budget is circa £22m per annum, allocated as follows:</p> <ul style="list-style-type: none"> • Approximately 67% as grants to those providers who are considered to form part of the state maintained system of public education (i.e. Further Education colleges and Local Authorities); • Approximately 30% through a formal procurement exercise allocated across three lots with distinct objectives; 1) Supporting the unemployed into work, 2) In-work progression; and 3) Innovation (a more flexible opportunity to help those furthest from the labour market); and • The remaining 3% is allocated to administering the fund. 	<p>Authority. An AEB Operational Steering Group was established in September 2019 and meets weekly to monitor and assess progress. The group is chaired by the Head of Inclusive Growth and is well attended by key staff from the Inclusive Growth Team as well as support services such as Legal, Finance, Procurement, Marketing and Communications. Internal Audit attend the Steering Group in its project assurance role as described above.</p> <p>There is a detailed project plan and risk register in place, and these documents are regularly reviewed and updated and considered by the Steering Group.</p> <p>Key areas of progress in the AEB project to date include:</p> <ul style="list-style-type: none"> • Publication of the AEB Skills Plan setting out clear expectations of adult education, explicitly linked to the delivery of local industrial and economic strategies; • The procurement exercise is at tender evaluation stage and is on target to issue contracts to providers by the end of April 2020; • Ongoing discussions with the grant providers regarding their final allocations and agreement of their delivery plans. This is on target to issue grant contracts to providers by the end of April 2020. <p>Internal Audit will continue in a project assurance role to support the Combined Authority's implementation of AEB, specifically in relation to:</p> <ul style="list-style-type: none"> • The development of management information systems; • Systems and procedures for the assessment and evaluation of contractor and grant provider performance; and • Payment processes. <p>Further progress reports will be provided to the Audit and Standards Committee as appropriate.</p>

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

- 3.1 The Internal Audit coverage proposed in this report is based on an assessment of audit risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

- 5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 5.2 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources. This report and the Internal Audit Plan 2019/20 have been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

6. Consultation / Engagement

- 6.1 The Head of Paid Service and Chief Finance Officer were consulted in preparation of Internal Audit's proposed 2019/20 coverage.

7. Appendices

None

8. Background Papers

['Internal Audit Plan – Initial Assurance Coverage \(2018/19\) and Development of Strategic Audit Plan' report to Audit and Standards Committee, 14 February 2019](#)

[Internal Audit Plan - Internal Audit Initial Coverage 2018/19 and Internal Audit Strategic Audit Plan 2019/20](#)

9. Contact Officers

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10. Sign Off

Head of Paid Service

Chief Finance Officer

Monitoring Officer

Audit and Standards Committee

21 January 2020

Subject: Development of Strategic Audit Plan - 2020/21

Report of: Allison Mitchell, Chief Internal Auditor

Report Summary

The purpose of this report is to outline the proposed approach to preparing the Strategic Audit Plan for 2020/21 for consideration and endorsement by the Audit and Standards Committee.

The report also ensures the Audit and Standards Committee, as a key stakeholder of Internal Audit's work, is engaged at an early stage in the assurance planning process.

Recommendations

The Audit and Standards Committee is recommended to consider and endorse the approach to preparation of assurance coverage and resulting Strategic Audit Plans for 2020/21.

1. Background Information, Proposals and Timetable for Implementation

Role of Internal Audit

- 1.1 Internal Auditing *"is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"*. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 The Internal Audit team has a key role in helping the Authority to achieve its objectives. We are an independent resource available to assist the organisation to explore areas of potential efficiency and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Authority to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.

- 1.3 Internal Audit provides assurance to the organisation that governance and control, which has been established to manage risks to the achievement of the Authority's objectives and to optimise opportunities, are operating effectively. This has a positive impact on the risk environment, informing management whether the actions they are taking to control and manage risks are working as they should.
- 1.4 Preparation of a Strategic Audit Plan ensures that Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. This is key to Internal Audit achieving its objectives as an independent assurance function for the Authority and to provide an independent and objective opinion on the adequacy and effectiveness of the framework of governance, risk management and control.

Development of the detailed Strategic Internal Audit Plan for 2020/21

- 1.5 To ensure that all legislative responsibilities and professional standards are fully complied with and that a plan of work is agreed for the coming year which will meet the Authority's key assurance requirements, a detailed, risk based Strategic Internal Audit Plan for 2020/21 will be prepared and presented to Audit and Standards Committee at its scheduled meeting in April 2020.
- 1.6 Internal Audit must be independent in its planning and operation, and have an unrestricted range of coverage of the Authority's operations.
- 1.7 The Public Sector Internal Audit Standards (PSIAS, 2017), and the specific Local Government Application Note on the Standards, set out the professional standards which Internal Audit must apply when planning the use of its resources. It states that:
 - (a) The Chief Internal Auditor (Chief Audit Executive) must establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisation's goals;
 - (b) The plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and Audit Committee (the 'board') must be considered in this process. The Chief Internal Auditor must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions;
 - (c) The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan;
 - (d) The Chief Internal Auditor must communicate plans and resource requirements, including significant interim changes, to senior management and Audit Committee for review and approval. The Chief Internal Auditor must also communicate the impact of any resource limitations; and
 - (e) The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

- 1.8 Preparation of the detailed Strategic Internal Audit Plan for 2020/21 will involve the following stages:
- (a) Developing Internal Audit's intelligence base on the breadth of the Authority's functions from published plans, strategies, and reports;
 - (b) Consulting with the Head of Paid Service, Chief Finance Officer (Section 73 Officer), Directors and Audit and Standards Committee Members on this preparatory work, and their aspirations for Internal Audit work and coverage in the coming year. This consultation allows us to identify the areas where stakeholders consider Internal Audit can provide the greatest assistance and benefit;
 - (c) Developing the assessment of audit risks, to prioritise audit coverage and ensure the Strategic Audit Plan includes all key areas of audit assurance, with resources targeted at those areas of highest priority;
 - (d) Developing the outcomes which each Internal Audit assignment in the Strategic Audit Plan will deliver, and the objectives which each audit will meet; and
 - (e) Ensuring that each proposed audit assignment will help assess and support a priority or priorities of the identified 'pillars of ambition'.
- 1.9 Once this process is finalised, the Strategic Internal Audit Plan will be presented to the Audit and Standards Committee for approval in April 2020 and will set out Internal Audit's planned 2020/21 coverage. This will include detail on all key areas of Internal Audit provision, and the objectives which each assignment will deliver.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of the Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

- 3.1 There are no key risks identified from the approach outlined. The Strategic Audit Plan will be prepared using a risk-based approach, thus ensuring that coverage is focused on those areas of activity where Internal Audit resource will deliver most benefit to the North of Tyne Combined Authority and assist most effectively in the management of risk.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

- 5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

5.2 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources.

6. Consultation / Engagement

6.1 The 2020/21 Strategic Audit Plan will be prepared following consultation with a number of key stakeholders, including the Head of Paid Service, Monitoring Officer, Chief Finance Officer, Director of Policy and Performance and Director of Economic Growth.

7. Appendices

None.

8. Background Papers

- (a) Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017 [Public Sector Internal Audit Standards](#)
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019
- (c) The Accounts and Audit Regulations 2015, April 2015 [Accounts and Audit Regulations 2015](#)
- (d) North of Tyne Combined Authority Constitution, November 2018 [NTCA Constitution](#)

9. Contact Officers

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01670 623929

10. Sign Off

Head of Paid Service

Monitoring Officer

Chief Finance Officer

Audit and Standards Committee

21 January 2020

Subject: Preparation for Audit and Standards Committee Self-Assessment of Effectiveness

Report of: Allison Mitchell, Chief Internal Auditor

Report Summary

The purpose of this report is to outline the proposed approach to undertaking a review of the effectiveness of the Audit and Standards Committee with reference to the 2018 good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Recommendations

The Audit and Standards Committee is recommended to consider and endorse the proposed approach to undertaking a review of the effectiveness of the Audit and Standards Committee.

1. Background Information, Proposals and Timetable for Implementation

Professional Body Guidance

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees – Practical Guidance for Local Authorities and Police') was published in 2018. The guidance is not mandatory but provides a helpful checklist against which local authorities can consider their own arrangements.

Approach to Review

- 1.2 The checklist contained in the CIPFA guidance provides a basis upon which the effectiveness of the Audit and Standards Committee can be appraised. It is proposed that the Chief Internal Auditor and the Independent Chair of the Committee work together to undertake the review. The CIPFA checklist that will form the basis of the review is attached at **Appendix A**.

- 1.3 It is proposed to complete the review by 30 June 2020 and report the initial results to the July 2020 meeting of the Audit and Standards Committee for consideration. Following this a detailed Action Plan will be prepared to highlight those areas where development work should be focused and ensure Audit and Standards Committee arrangements reflect all parts of CIPFA's latest publication. It is proposed to report the Action Plan to the September 2020 meeting of the Audit and Standards Committee.
- 1.4 CIPFA have published a revised Position Statement on Audit Committees in Local Authorities, attached as **Appendix B**, the review of the effectiveness of the Audit and Standards Committee includes a number of questions to assess how Committees perform in relation to CIPFA's Position Statement.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of the Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

- 3.1 There are no key risks identified from the approach outlined.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report.

5. Legal Implications

- 5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 5.2 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources.

6. Consultation / Engagement

- 6.1 The approach to undertaking a review of the effectiveness of the Audit and Standards Committee has been prepared in consultation with a number of key stakeholders, including the Head of Paid Service, Monitoring Officer and Chief Finance Officer.

7. Appendices

None.

8. Background Papers

(a) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2018

9. Contact Officers

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10. Sign Off

Head of Paid Service

Monitoring Officer

Chief Finance Officer

Audit Committee Arrangements: Self-Assessment Checklist

(taken from CIPFA, *Audit Committees, Practical Guidance for Local Authorities and Police*, published 2018)

CIPFA states that this checklist provides a high level review that incorporates the key principles set out in CIPFA’s Position Statement on Audit Committees in Local Authorities, and the wider *Practical Guidance* publication referred to above. CIPFA states:

“Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.”

Good practice questions		Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?				
2	Does the audit committee report directly to full council? (Applicable to local government only.)				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?				
4	Is the role and purpose of the audit committee understood and accepted across the authority?				
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?				
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?				

Good practice questions	Yes	Partly	No	Comments
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	<ul style="list-style-type: none"> ▪ good governance 			
	<ul style="list-style-type: none"> ▪ assurance framework, including partnerships and collaboration arrangements 			
	<ul style="list-style-type: none"> ▪ internal audit 			
	<ul style="list-style-type: none"> ▪ external audit 			
	<ul style="list-style-type: none"> ▪ financial reporting 			
	<ul style="list-style-type: none"> ▪ risk management 			
	<ul style="list-style-type: none"> ▪ value for money or best value 			
	<ul style="list-style-type: none"> ▪ counter-fraud and corruption. 			
	<ul style="list-style-type: none"> ▪ supporting the ethical framework 			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			

11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?				
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Good practice questions	Yes	Partly	No	Comments
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Membership and support

12	Has an effective audit committee structure and composition of the committee been selected? This should include:				
	▪ separation from the executive				
	▪ an appropriate mix of knowledge and skills among the membership				
	▪ a size of committee that is not unwieldy				
	▪ Consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).				
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or as appropriate for the organisation?				
14	Does the chair of the committee have appropriate knowledge and skills?				
15	Are arrangements in place to support the committee with briefings and training?				
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?				

APPENDIX A

17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?				
18	Is adequate secretariat and administrative support to the committee provided?				

Good practice questions	Yes	Partly	No	Comments
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Effectiveness of the committee

19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?				
20	Are meetings effective with a good level of discussion and engagement from all the members?				
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?				
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?				
23	Has the committee evaluated whether and how it is adding value to the organisation?				
24	Does the committee have an action plan to improve any areas of weakness?				
25	Does the committee publish an annual report to account for its performance and explain its work?				

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2** The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3** Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4** The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-

related issues, including partnerships and collaborations with other organisations

- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
 - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5** An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
 - working with local standards and ethics committees to support ethical values
 - reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)
 - providing oversight of other public reports, such as the annual report.
- 6** Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
 - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are: promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
 - unbiased attitudes – treating auditors, the executive and management fairly
 - the ability to challenge the executive and senior managers when required.

7 To discharge its responsibilities effectively the committee should:

- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities

Audit and Standards Committee

21 January 2020

Subject: Update Report on progress against the Internal Audit Diagnostic Toolkit

Report of: Janice Gillespie, Chief Finance Officer

Report Summary

The purpose of this report is to provide an update on progress to date against the Internal Audit Diagnostic Toolkit.

Recommendations

The Audit and Standards Committee is recommended to consider and note the report of the Chief Finance Officer.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Internal Audit Plan for 2019/20 was approved by the Audit and Standards Committee at its meeting on 4 April 2019. The Audit and Standards Committee agreed that for the first part of the year Internal Audit would focus on the completion of a bespoke diagnostic toolkit developed to help the Combined Authority assess the extent to which the Financial Procedure Notes contained within the Combined Authority's Financial Regulations have been implemented.
- 1.2 Subsequent to that meeting of the Audit and Standards Committee Internal Audit prepared a Schedule of Recommendations arising from the diagnostic toolkit. This was updated with management responses that established the action to be taken to address each recommendation, and a target completion date for each recommendation.

1.3 The Chief Finance Officer confirmed to Internal Audit that the diagnostic work undertaken had been helpful in understanding how well current financial systems are working and where these could be improved and agreed to bring a report to the next Audit and Standards Committee to report on progress in implementing the actions.

1.4 Considerable progress has been made against the recommendations leading from the diagnostic toolkit. Please see updated diagnostic toolkit recommendations and action plan (Appendix A).

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

3. Key Risks

3.1 There are no risks associated with the production of this report.

4. Financial and Other Resources Implications

4.1 There are no direct financial or other resource implications arising from the recommendation set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

5. Legal Implications

5.1 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. However, there are no legal implications arising specifically from this report.

6. Consultation/Engagement

6.1 The Head of Paid Service and Chief Finance Officer were consulted in preparation of Internal Audit's proposed 2019/20 coverage.

7. Appendices

- 7.1 Appendix A NTCA Diagnostic Toolkit – Action Plan

8. Background Papers

- 8.1 'Internal Audit Plan – Initial Assurance Coverage (2018/19) and Development of Strategic Audit Plan' report to Audit and Standards Committee, 14 February 2019

Internal Audit Plan - Internal Audit Initial Coverage 2018/19 and Internal Audit Strategic Audit Plan 2019/20

9. Contact Officers

- 9.1 Janice Gillespie, Chief Finance Officer,
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10. Glossary

- 10.1 None

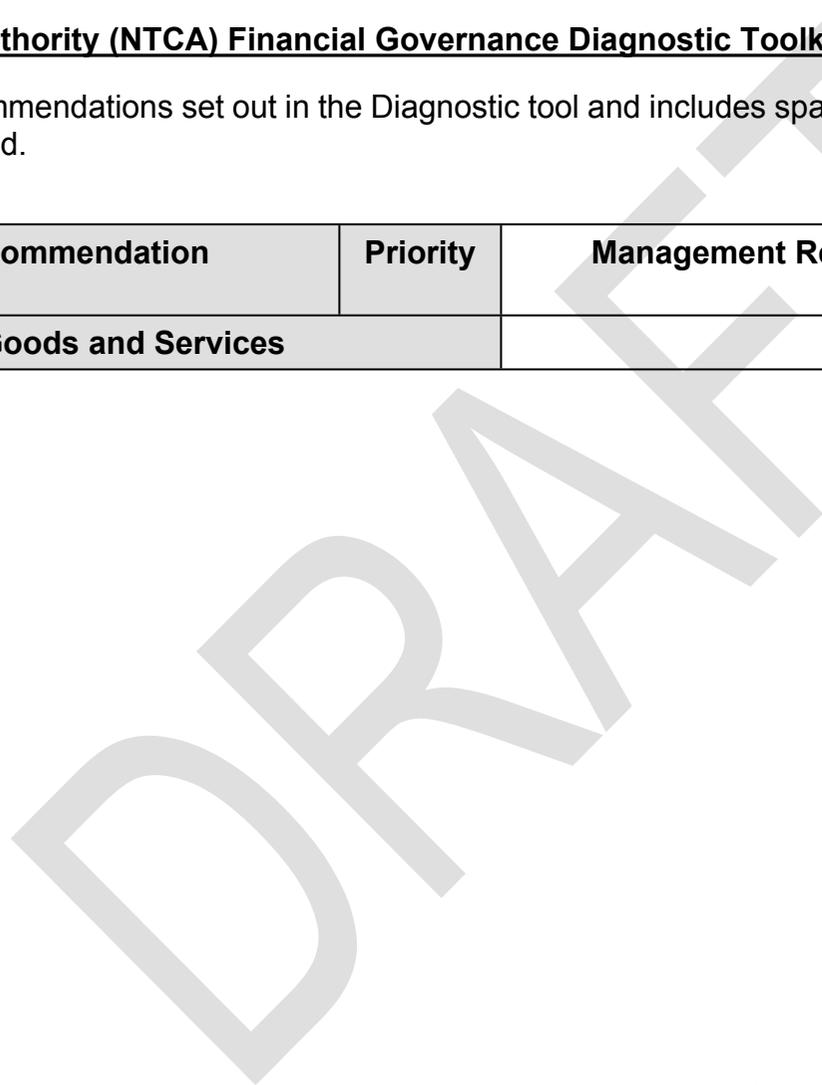
11. Sign-off

- 11.1 Head of Paid Service: Yes/No
Monitoring Officer: Yes/No
Chief Finance Officer: Yes/No

North of Tyne Combined Authority (NTCA) Financial Governance Diagnostic Toolkit: Schedule of Recommendations

This table summarises the recommendations set out in the Diagnostic tool and includes space for the Chief Finance Officer’s comments and plans for implementation to be recorded.

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
FPN 1 - Orders for Works, Goods and Services						



Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
1	1	Current ordering and procurement procedures require strengthening to ensure that there is sufficient evidence of checking of budgetary provision before expenditure is committed.	Medium	Agreed. Purchasing procedures have been updated to include additional budgetary consideration. Training to all staff took place at NTCA Core Team Away Day 16 th October 2019 including Denise Pearson from Procurement. Further training is taking place in February 2020 to accommodate new Directors and newly recruited staff as well as providing update and reiterate process for ordering and procurement and correct procedures to follow for existing staff. As part of the February training the monthly budget monitoring process will be outlined which will include monthly meetings with key officers and budget managers.	Janice Gillespie/ Katy Laing	September/ October 2019 February 2020
2	1, 2 & 3	The draft purchase procedure and draft procurement rules (Contract Standing Orders) documents require updating, including: <ul style="list-style-type: none"> • Clarity regarding the First Approver category as this is not included in the delegated signatory list; 	High	Agreed. Updated Contract standing Orders document has now been updated and available to staff to access on NTCA Teams channel. Agreed. The First Approver category has been removed such that the procedure required at each spend level should now tie in to the delegated signatory list.	Janice Gillespie/ Katy Laing	September/ October 2019 September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
		<ul style="list-style-type: none"> Establishing that all procurement not covered by a service level agreement (SLA), should be undertaken in accordance with the Combined Authority's Financial Regulations and procurement rules only waived where established criteria are met, e.g. proprietary software required to interface with existing IT software; Include greater detail where specific arrangements exist, for example IT equipment is purchased by Newcastle City under SLA <p>The completed documents should be approved and issued.</p>		<p>See response to no 1</p> <p>A form to waive Contract Standing Orders is now in place together with a log to record all such waivers. There is also a worked example, and a full procedure note.</p> <p>Template and format of SLA agreements has been reviewed and agreed to ensure appropriate detail is secured as part of the arrangements. This includes the new SLA agreements in relation to the LEP in preparation to the NTCA becoming the accountable body. SLA's for 19/20 are agreed and in place. New SLA's relating to LEP are being agreed in January 2020, existing SLA's for 2020 are being reviewed February/March which will mirror service requirements now the Authority has been established for over a year.</p>		<p>September/ October 2019</p> <p>October 2019</p> <p>September/ October/ November 2019</p> <p>January/March 2020</p>
3	2	The delegated officer schedule should be updated to include specimen signatures of officers and record which budgets officers can authorise orders and payments for.	High	Agreed: Recruitment activity was high at the time of audit. The delegated officer schedule is now more static and specimen signatures have been collected electronically. The document will be stored	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				centrally and updated by the business support team as officers move / change. A copy of the document will be shared appropriately with the SLA leads for Finance and procurement. The document is shared on the NTCA Teams channel for staff to reference to.		
4	2	All purchase orders should be placed using the correct procedures and stationery and be authorised and issued at the time of placing the order.	Medium	Agreed: See response to rec no 2	Janice Gillespie/ Katy Laing	September/ October 2019.
5	3	A proactive arrangement for ensuring that all officers are fully cognisant of purchasing procedures, including procurement rules, possibly including a short training programme during induction, should be established.	High	Agreed: Group training has taken place at NTCA Core Team Away Day 16 th October 2019 including Denise Pearson from Procurement. Further training is taking place in February 2020 to accommodate new Directors and newly recruited staff as well as providing update and reiterate process and correct procedures to existing staff. Following this training will be part of the induction process.	Janice Gillespie/ Katy Laing	September/ October 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
6	3	A framework for ensuring that all decisions to waive standing orders are correctly authorised and fully documented, in accordance with procurement rules should be established.	Medium	Agreed: Form to waive standing orders in place with example. Staff trained as part of the NTCA October Core Team Away Day.	Janice Gillespie/ Katy Laing	September/ October 2019
7	4	The current manual process for administering purchase orders (PO) numbers should be improved to prevent intentional or accidental errors, either through utilising electronic ordering systems of North Tyneside Council (NTC) or pre-printed PO books in duplicate/triplicate type.	Medium	Agreed: Discussions have now taken place with Engie and testing initiated to allow NTCA to use the current electronic order forms to make them accessible to all officers utilising "e-forms" which would be automatically populated with a unique sequential order number. The information entered on the form would automatically up load into a central controlled spreadsheet. This would free up part of the existing resources administering the current electronic forms/ordering process and provide a central record of all orders placed/authorised. The current system will continue to be used in the interim but shared more widely with all staff.	Janice Gillespie/ Katy Laing	October/ November 2019
FPN 2 - Income						
8	5 & 15	Monthly budget monitoring processes should be developed and	Medium	Agreed: The annual budget does contain all expected income. This	Janice Gillespie/ Katy Laing	October 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
		documented to ensure that all expected income is received.		has been entered into Oracle and is being monitored on a monthly basis. Such income is also in the cash flow forecast which is similarly monitored as the actual cash is received. The process will be documented. The roll out of monthly budget monitoring meetings with key officers, as detailed in Recommendation, will also inform expected income and when it is expected.		
9	5	A register of grants should be established and monitored to ensure that all income due is received, and any grant conditions are met.	Medium	Agreed. Template being updated with NTCA grants. This template has been reviewed to ensure it incorporates necessary information to inform the Grants Note within the Annual Accounts.	Janice Gillespie/ Katy Laing	November 2019
10	6	The Chief Finance Officer's (CFO) regular review of the cashflow spreadsheet could be made more formal, possibly by setting an agenda for the regular meetings between the CFO and Lead Accountant to include standing items such as budget and cashflow.	Low	Agreed: The cash flow spreadsheet now includes a section for CFO (or her Deputy) sign off of each month's bank reconciliation. Regular monthly meetings are scheduled between the Deputy S73 Officer and the Lead Accountant to review budget and cashflow. In relation to management of surplus funds, regular monthly scheduled meetings are held with Treasury Management. Meetings with CFO, Deputy S73 and Lead Accountant are held as part of the	Janice Gillespie/ Katy Laing	September 2019 onwards

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				quarterly reporting on budget monitoring and as required during budget process.		
11	11	Financial Procedure Note 2 - Income of the Combined Authority's Financial Regulations should be updated to remove reference to "cash paid for vehicle tolls"	Low	Agreed: Document will be refreshed	Janice Gillespie/ Katy Laing	January 2020
12	17	A write-off policy should be prepared and approved.	Low	Agreed: it is not anticipated the authority will raise income through debtors accounts, but a policy will be drafted for approval.	Janice Gillespie/ Katy Laing	March 2020
FPN 3 - Payment for Works, Goods and Services						
13	19	<p>The 'request for payments' form should be updated to:</p> <ul style="list-style-type: none"> • Include a field for the officer who has received the goods / services to sign to confirm receipt, quality and quantity; and • Ensure the form only includes fields to record necessary information, avoids duplicating information from invoices where possible, and is clear what information is required, e.g. if the invoice number is to remain on the form this should be exactly as per the invoice. 	Medium	<p>Agreed: The request for payments form is a standard form but has been amended to add a goods received signature.</p> <p>Agreed.</p>	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
14	19	Invoices should be thoroughly checked prior to payment and any errors identified and raised with the supplier. For the examples identified where paid invoices were addressed to North Tyneside Council rather than the North of Tyne Combined Authority, Management should review and determine whether there are any VAT implications and resolve them if necessary.	Medium	Agreed. These were instances in the early days of the authority. Officers have been given clear instructions regarding invoices and where more recently were received in the wrong name were returned to the supplier. Treatment of VAT is checked for correct application.	Janice Gillespie/ Katy Laing	July 2019
15	21	A system for monitoring and reporting upon invoice payment terms, including date stamping invoices when received, should be established. Payment performance statistics should be obtained and published in accordance with Public Contracts Regulations.	Low	Agreed: Date stamp now purchased and in use for incoming invoices. Any lag at audit time was because the system was newly established and a small backlog had arisen. Invoices are now paid promptly. Engie can run performance statistics on this as required and publish in accordance with requirements	Janice Gillespie/ Katy Laing	October 2019
16	22	A register of contracts should be established and maintained.	Low	Agreed	Janice Gillespie/ Katy Laing	October 2019
FPN 4 - Security and Control of Assets						
17	23	Access arrangements to the Combined Authority's office at Quadrant West should be reviewed to ensure all visitors other than staff based in the building sign in and are collected from reception.	Medium	Agreed: Quadrant West is currently occupied by a number of different clients. These are segregated by floor with no "mixed occupancy" on a floor. The person staffing reception on the Ground Floor is briefed on the	Janice Gillespie/ Katy Laing	June 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				<p>requirements when visitors to the NTCA arrive.</p> <p>Each evening a list of expected visitors is produced and shared with the officer staffing reception.</p> <p>A list of contact officer numbers is provided for each visitor.</p> <p>They need to sign in and will be given a NTCA visitor lanyard.</p> <p>The officer expecting the visitor will be contacted by a phone call when their visitor arrives and someone will go down to collect the visitor.</p> <p>When leaving the building the visitor will be accompanied to the ground floor exit.</p> <p>Sign out and hand the lanyard into reception and then leave the building.</p> <p>Anyone without the black NTCA lanyard can be easily identified</p> <p>Staff will be reminded of this process and to be vigilant to ensure that visitors without the black lanyard are asked/challenged why they are on floor 3 QW.</p> <p>Staff will be reminded to ensure that pc screens are locked/their desks</p>		<p>September 2019</p> <p>September 2019</p>

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				are clear if they are not present and that valuables are not on display.		
18	24	The inventory of equipment should be brought up to date as soon as possible and include unique identification data such as IT security tag reference, Mobile phone IMEI reference, and value.	Medium	<p>Agreed: An inventory of all equipment and furniture that has been purchased by NTCA is being created. This will include ICT equipment, furniture and electrical equipment including fridges, microwaves etc</p> <p>ICT Services (Newcastle City Council) are currently supplying and installing ICT hardware in QW for use by NTCA staff.</p> <p>Each piece of ICT equipment excluding mice and keyboards has a unique bar code attached to it. These are scanned and then recorded on the ICT database held at Newcastle City Council.</p> <p>An extract detailing all NTCA flagged equipment with its location description etc will be provided as soon as the NTCA IT estate is fully deployed.</p> <p>This will be added to the inventory of non-IT equipment that is being collated</p>	Janice Gillespie/ Katy Laing	October 2019
19	24	A Fixed Asset Register should be introduced as soon as appropriate acquisitions are recorded on the	Medium	Agreed	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
		organisation's ledger.				
20	24	A process should be established to ensure the inventory and Fixed Asset Register are kept up to date with all acquisitions and disposals.	Medium	Agreed: A quarterly review/reporting process will be implemented to ensure that all acquisitions and disposals are recorded including where the approval for disposal was agreed. Only Computers purchased to date.	Janice Gillespie/ Katy Laing	October 2019
21	25	Policies regarding security and use of IT assets (for example GDPR) should be adopted and training provided to all existing staff at the earliest opportunity and future training provided through the induction programme and mandatory refresher training.	Medium	Agreed: Learning and Development modules are currently available to all NTCA directly employed staff. GDPR (2 modules) and Data Protection and Cyber Security are two of the 8 mandatory training modules that new members of staff are required to complete as part of their induction process. Completion is monitored via reports prepared by system owner. The cycle for refresher training needs to be considered, agreed and communicated to all staff.	Janice Gillespie/ Katy Laing	June 2019 November 2019
22	26	An Asset Disposal Policy should be developed and adopted.	Low	Agreed: In parallel with the completion and sign off of the Fixed Asset Register and Asset Disposal Policy will be developed	Janice Gillespie/ Katy Laing	November 2019
FPN 5 - Insurance						

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
23	29 & 30	Employers Liability insurance cover should be finalised.	High	Agreed: In place since 04.07.19	Janice Gillespie/ Katy Laing	July 2019
24	29	NTC's Claims and Insurance Manager should be advised of an agreed level of indemnity in relation to the Combined Authority's assets and cover should be finalised.	Medium	Only assets of NTCA are Laptops and Computers and desks. Newcastle City Council IT (with whom NTCA have an SLA for IT provision) do not insure their computers. We have therefore adopted the same principle. We have decided not to insure for desks due to low level costs.	Janice Gillespie/ Katy Laing	October 2019
25	29	A tender exercise should be undertaken when insurance cover renewal is due to ensure best value is obtained.	Medium	Agreed	Janice Gillespie/ Katy Laing	November 2019
FPN 6 - Staffing and Payroll						
26	32	The Combined Authority should establish their own Code of Practice on Recruitment and Selection.	Medium	Agreed: This has been established and is available in the NTCA HR area in Microsoft Team.	Janice Gillespie/ Katy Laing	September 2019
27	33 & 34	The process for the Combined Authority to notify Newcastle City Council's payroll service of payroll amendments should be formalised and documented.	Medium	Agreed: There is now a documented process for notifying Employee Administration at Newcastle City Council of any new starters/amendments/leavers. The process used by Newcastle City Council (agreed and signed off by its Internal Audit Team) was being followed for NTCA employees prior to this being documented.	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				This has been communicated to all Authorising Managers and reinforced with members of the Newcastle City Council Employee Administration Team processing NTCA employee records.		
FPN 7 - Reimbursement of Expenses and Payment of Allowances						
28	37, 38, 40 & 41	Travel and Subsistence Policies for staff and members should be completed, approved and shared with all relevant staff and members.	Medium	<p>Agreed: Members of Cabinet are governed by the existing rules on allowances and expenses relating to their own constituent Authority when undertaking duties associated with their North of Tyne Combined Authority roles.</p> <p>The Elected Mayor and Independent Chairs of Overview & Scrutiny Committee and Standards & Audit Committee are entitled to claim expenses. However, the current Chair of Standards & Audit Committee is an elected member of Northumberland County Council so will claim their expenses under the procedures & conditions of that Council.</p> <p>The travel and subsistence policy for staff and members is available on Microsoft Teams.</p>	Janice Gillespie/ Katy Laing	

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
				If a member is unable access the folder in Teams a hard copy of the of the policy will be provided.		
29	40	Members should be advised on the process to follow when submitting claims for travel and expenses.	Medium	Agreed: a note will be issued to all Committee members.	Janice Gillespie/ Katy Laing	
FPN 8 - Banking Arrangements and Cheques						
30	44	Financial Procedure Note 8, Banking Arrangements and Cheques, within the Financial Regulations does not cover bank reconciliation processes. These processes should be formalised and documented and include review and authorisation by a senior finance employee not involved in the day to day operation and management of the account.	High	Agreed: The cash flow spread sheet, which contains the bank reconciliation, to be formally signed off, on a monthly basis by a senior officer monthly. Refer to Recommendation 10.	Janice Gillespie/ Katy Laing	October 2019
31	45	Cheque books should be treated as controlled stationery, and a register should be maintained. The register should record the following details: <ul style="list-style-type: none"> • Opening and closing cheque no.; • Date received; • Date cheque book issued to officer; and • Name and signature of officer cheque book issued to. 	Medium	Agreed: Register is set up.	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
32	46	An induction programme should be developed and include an element of raising awareness of Financial Regulations. This includes the requirement for approval of the CFO prior to entering into a credit agreement.	Medium	Agreed	Janice Gillespie/ Katy Laing	October 2019 for all employees then on an as needs basis.
FPN 9 - Investments and Borrowing						
33	47	Delegations by the CFO to allow nominated officers to complete bank transfer forms for investments should be clearly defined and documented.	Medium	Agreed: The nominated officers with DMO have just been updated. The NTCA Treasury Management Practices to include a schedule on nominated officers authorised to complete bank transfers. This already exists named online banking user matrix.	Janice Gillespie/ Katy Laing	September 2019
34	50	Suitable Treasury Management Practices should be adopted for the Combined Authority.	Medium	Agreed: Treasury Management training will be provided to officers and members following the December meeting of Audit and Standards Committee NTCA Treasury Management Practices are in the process of being updated.	Janice Gillespie/ Katy Laing	September 2019
35	54	The process in relation to implementation and monitoring of Treasury Management policies and practices should be clarified. Financial Regulations state the implementation and monitoring of	Medium	Agreed: Treasury Management Strategy taken to January Cabinet has been amended to state the Treasury Management policies and practices are delegated to the Audit	Janice Gillespie/ Katy Laing	January 2020

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
		the Treasury Management policies and practices are delegated to the Audit and Standards Committee whereas the Treasury Management Strategy states “The Authority delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to Cabinet and for the execution and administration of Treasury Management decisions to the Chief Finance Officer, who will act in accordance with the organisation’s policy statement and TMPs. Responsibility for ensuring effective scrutiny of the Treasury Management strategy and policies is delegated to Overview and Scrutiny Committee.”		and Standards Committee as detailed in the Financial Regulations.		
FN 10 - Information Technology and Data Protection						
36	61	ICT and Information Security strategies and policies should be adopted as soon as possible.	Medium	Agreed: The policies are in existence. These strategies will be submitted to an appropriate meeting of the NTCA Management Team so that formal adoption can be documented.	Janice Gillespie/ Katy Laing	October 2019
37	63	Training in relation to the relevant ICT policies covering use of IT and control of information should be	Medium	Agreed: Learning and Development modules are currently available to all NTCA directly employed staff.	Janice Gillespie/ Katy Laing	September 2019

Rec No:	Toolkit Question	Recommendation	Priority	Management Response	Responsible Officer	Implementation Date
		provided to all existing staff at the earliest opportunity and future training provided through an induction programme and mandatory refresher training.		GDPR (2 modules) and Data Protection and Cyber Security are two of the 8 mandatory training modules that new members of staff are required to complete as part of their induction process.		

Audit and Standards Committee

21 January 2020

Subject: Strategic Risk and Opportunities Register

Report of: Risk Advisor to North of Tyne Combined Authority

Report Summary

The report provides members with the Strategic Risk and Opportunities Register for the North of Tyne Combined Authority (NTCA), following its approval by Cabinet. The report also includes a summary of the strategic risks the North East Joint Transport Committee faces as it seeks to achieve its objectives.

Recommendations

The Audit and Standards Committee is recommended to:

1. Acknowledge Cabinet approval of the strategic risk register
2. Note a summary of the strategic risks identified by the North East Joint Transport Committee are included at Appendix C for information
3. Review the NTCA strategic risks and opportunities, as well as highlight any additional strategic risks that may need to be considered for inclusion in the risk register

1. Background Information, Proposals and Timetable for Implementation

- 1.1 This strategic risk and opportunities register (Appendix B), was approved by Cabinet at their meeting on 22 October 2019, where Cabinet agreed that the most significant threats to delivery of the Authority's objectives were; delivery of devolution and the Authority's operational capacity. Cabinet also agreed that there was an opportunity to strengthen the Authority's existing partnership arrangements.

It was agreed that in the interim the Head of Paid Service would be assigned as the risk owner for the risks and opportunities. However, this will be reviewed over the coming months following the appointment of the two new Directors of Economic Growth and Policy and Performance.

- 1.2 The risk which monitors NTCA's operational capacity and resources is moving in a positive direction of travel. There are a very limited number of vacancies, with most posts now filled. The two new Director's also joined the Authority on 2 December 2019 and will lead on delivery and development.

- 1.3 Transport is of strategic importance to the North East and the collaborative working of both Combined Authorities allows effective decision making across the region. The North East Joint Transport Committee is responsible for bringing together members from both Combined Authorities allowing the collective identification and management of the most significant risks to the successful operation of the Joint Transport Committee (JTC) and delivery of its objectives and plans.

A risk register, which records the biggest threats to the operation of the JTC, has been prepared by the North East Combined Authority's (NECA) risk management service. A summary of the risks is provided at Appendix C.

Seven of the Joint Transport Committee strategic risks remain static with no changes reported to the JTC Audit Committee on 18 December 2019. However, the risk which monitors the sources and levels of funding available to the JTC had deteriorated, therefore the RAG rating increased from Amber to Red. This was due to the continued uncertainty around possible future changes in UK government policy which may impact on economic and transport developments and the needs of the North-East region. While the JTC is taking action to mitigate the risk, the source of the risk is external to the organisation and as such is beyond its control.

- 1.4 The NTCA risks are strategic risk areas which will be monitored by this Committee and presented at each meeting. Lower level operational and project risks will continue to be managed at a project level. However, there are communication plans and escalation processes being developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the strategic risk register.

2. Potential Impact on Objectives

- 2.1 The development of the strategic risk register will not impact directly on the objectives of NTCA, however the approach to strategic risk management will support delivery of its aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

3. Key Risks

- 3.1 There are no direct risk management implications from this report. The approach to risk management is documented within the NTCA's risk management policy and strategy.

The key risks will continue to be reported regularly to the Audit and Standards Committee.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA during 2019/20 through a Service Level Agreement with Newcastle City Council.

5. Legal Implications

- 5.1 There are no legal implications arising specifically from this report.

6. Consultation/Engagement

- 6.1 Cabinet have approved the Strategic Risk Register. The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the Strategic Risk and Opportunity Register.

7. Appendices

- 7.1 Appendix A – ‘Risk at a glance’ shows the strategic risks and opportunities, including the risk priorities and direction of travel assessments
Appendix B – Provides a detailed assessment of the NTCA strategic risks and opportunities and future activity to reduce the overall risk exposure
Appendix C – A summary of the strategic risks, risk priorities and direction of travel assessments identified by the North East Joint Transport Committee
Appendix D – Risk Analysis Toolkit to determine the risk priority

8. Background Papers

- 8.1 [The North East Joint Transport Committee \(JTC\) strategic risks can be found on the NECA website as part of the JTC Audit Committee Agenda 18 December 2019.](#)

9. Contact Officers

- 9.1 Philip Slater – Chief Internal Auditor - Newcastle City Council. (acting as Risk Advisor to NTCA)
E-mail: Philip.slater@newcastle.gov.uk
Telephone - 0191 2116511

10. Glossary

- 10.1 None

11. Sign-off

- 11.1 Head of Paid Service: Yes
Monitoring Officer: Yes
Chief Finance Officer: Yes

Risk at a glance

Appendix A

Strategic Risks and Opportunities

	Risk Priority	Direction of Travel
Strategic Risks & Opportunities		
<p>Delivery of Devolution Failure to deliver the Devolution Deal, and secure future negotiations with Government will restrict powers in future funding years.</p>	Amber 8	Static
<p>Operational Capacity and Resources The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	Amber 8	Improving
<p>Partnerships The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	Amber 8	Static

Strategic Risks and Opportunities

<p><u>Risk – Delivery of Devolution</u> Failure to deliver the Devolution Deal, and secure future negotiations with Government will restrict powers in future funding years.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>	
	<p><u>Risk Score</u></p>	
	<p>Current controlled score - Amber 8 Likelihood Low – Risk may occur Impact Critical – Inability to secure or loss of significant funding opportunity</p>	
	<p>Target Score – Green 4 Likelihood Negligible – Risk is unlikely to occur Impact Critical - Inability to secure or loss of significant funding opportunity</p>	
<p>Cause:</p> <ul style="list-style-type: none"> • Decisions are not aligned to the Authority’s Vision and Strategic Framework which has already been agreed with Government • Inability to demonstrate devolution readiness to support key aspects of the devolution deal to DfE, MHCLG etc. • Insufficient projects/schemes are identified to meet investment fund spending targets • Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes, such projects will cover all aspects of the devolution deal including: <ul style="list-style-type: none"> ▪ Adult Education Budget ▪ Education Challenge ▪ Housing & Land ▪ Investment Fund • Government do not fulfil their commitments under the devolution deal • Brexit causes delays or uncertainty which reduce the Authority’s ability to generate or deliver projects/schemes 		
<p>Impact:</p> <ul style="list-style-type: none"> • Inability to demonstrate that investment funding or other criteria has been met which may jeopardise future funding from Government • Reputational damage with Government and the public 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Production of an Adult Education Budget (AEB) Strategic Skills Plan and ‘Readiness’ Self-assessment to demonstrate readiness for AEB devolution from 2020/21 • Assurance Framework agreed with Government which operates effectively • Constitution is in place setting out governance arrangement for the Authority • Establishment of the Investment Fund through which NTCA will administer the North of Tyne Single Pot allocation of Government funding • Housing and Land Board supports NTCA’s governance arrangements regarding the integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area • Strong collaboration with the NELEP and North East Brexit Group to maintain a coordinated approach to cross-sector engagement and communications with Government • Development of a North of Tyne Brexit response plan, which includes the North of Tyne loan fund which will support areas where Brexit will have an impact on NTCA aims and objectives • M9 Group of Metro Mayors working together to lobby government on agreed priorities which will strengthen devolved powers 		
Next Steps	Deadline	Lead Officer(s)
The AEB statutory order has now been made. DfE will make AEB budget payment to NTCA and the AEB will become operational on 1 August 2020.	August 2020	Director of Economic Growth

<p>Continued engagement with AEB providers in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.</p> <ul style="list-style-type: none"> - AEB policy & procurement event – October 2019 - Providers formal invitation to tender– November 2019 - Deadline for tender submissions – December 2019 - Provider submissions evaluated – February 2020 - Contract award target date – April 2020 - Contract start date – August 2020 	<p>Review March 2020</p>	<p>Director of Economic Growth</p>
<p>The introduction of the NTCA Education Improvement Challenge initially through a Joint School Improvement Strategy which will focus on:</p> <ul style="list-style-type: none"> • Ready for School • Educational Achievement for All • Closing the Gap • Career Pathways • Leadership, Recruitment and Retention 	<p>Review March 2020</p>	<p>Director of Economic Growth</p>

<p><u>Risk - Operational Capacity and Resources</u> The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>	
	<p><u>Risk Score</u></p>	
	<p>Current controlled score – Amber 8 Likelihood Low – Risk may occur Impact Critical – Serious impact on delivery of investment plan</p>	
	<p>Target Score – Green 4 Likelihood Negligible – Risk is unlikely to occur Impact Critical - Inability to secure or loss of significant funding opportunity</p>	
<p>Cause:</p> <ul style="list-style-type: none"> • There is a lack of clarity and shared understanding in the constituent authorities of the roles and responsibilities of the officers working on the Devolution agenda and supporting the Combined Authority • The lack of capacity and recruitment into key officer disciplines 		
<p>Impact:</p> <ul style="list-style-type: none"> • Duplication of activity and conflicting priorities within Constituent Authorities • Existing resources are not fully utilised to effectively deliver the Authority’s strategic priorities • Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • Interim Statutory Officer appointments (Head of Paid Service, Monitoring Officer, Chief Finance Officer) Mayor and other key officers • Senior Officer appointments including Director of Policy and Performance, Director of Economic Growth, Head of Inclusive Growth • Constituent Authorities provide support services to the Authority through Service Level Agreements • Recruitment Plan in place 		
Next Steps	Deadline	Lead Officer(s)
Organisational Development – A structured exercise will be undertaken to develop resource plans to ensure there is adequate capacity and clarity with assigned roles and responsibilities to ensure the effective operation of the Authority.	Review March 2020	Director of Policy and Performance
Extend all current Officer secondments.	Review March 2020	Head of Operational HR (Newcastle)
An Implementation Funding Bid has been approved by DfE to provide the Authority with financial resources to ensure appropriate capacity and resources are put in place to prepare for devolution of the Adult Education Budget.	August 2020	Director of Economic Growth

<p><u>Opportunity - Partnerships</u></p> <p>The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>	
	<p><u>Opportunity Score</u></p>	
	<p>Current controlled Score - Amber 8 Likelihood Medium – Opportunity is likely to occur Impact Critical –Relationship between partners and stakeholders will be significantly strengthened</p>	<p>Target Score – Green 6 Likelihood High – Opportunity will almost certainly occur Impact insignificant - Relationship between all partners and stakeholders will be significantly strengthened</p>
<p>Benefits:</p> <ul style="list-style-type: none"> Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities Influencing regional approaches to growth Improving how we work with Government, business, investors and partners 		
<p>Barriers:</p> <ul style="list-style-type: none"> The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region It is important that Cabinet share the same vision and commitment to the Combined Authority, ensuring individual plans are aligned It is recognised that there are a number of partners, therefore effective and timely communications and consultation is vitally important to reduce reputational impact 		
<p>Existing Controls:</p> <ul style="list-style-type: none"> Mayor’s Ambassador for the Voluntary, Community and Social Enterprise Sector appointed Regular meetings with the Business Community i.e. CBI, Federation for Small Businesses, Entrepreneurs’ Forum Community and Voluntary Sector engagement meetings The North East LEP is leading the regional development of the Local Industrial Strategy NTCA representation on: <ul style="list-style-type: none"> The North East LEP Boards (Investment, Employment & Skills, Innovation and Business Growth) The Board of Transport for the North The North East Joint Transport Committee (and sub-committees), responsible for preparing a single transport plan for the area of both Combined Authorities NTCA and DWP Framework Agreement to coordinate employment, skills and health services across the North of Tyne area 		
Next Steps	Deadline	Lead Officer(s)
Mayoral Ambassador for the business sector - Further engagement and consultation with the business community to develop the role and invite nominations.	February 2020	Director of Policy and Performance
The Local Infrastructure Organisations and the Voluntary & Community Sector Stakeholders have drafted a partnership agreement which will be reviewed and approved by NTCA Cabinet.	Review progress March 2020	Director of Policy and Performance
Continued engagement with AEB providers in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority’s vision.	Review March 2020	Director of Economic Growth
Good Work Pledge – The implementation, promotion and development of the Good Work Pledge will commence January 2020.	Interim review of the Pledge achievements & commitments - June 2020	Director of Policy and Performance

North East Joint Transport Committee Strategic Risks		
	Risk Priority	Direction of Travel
Future Availability of Funding Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.	Red 12	Deteriorating
Funding Opportunities Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.	Amber 8	Static
Use of Funding and Resources Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	Amber 8	Static
Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	Amber 8	Static
Operational Capacity and Resourcing The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	Amber 8	Static
Delivery of Transport Improvement Projects/Programmes Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	Amber 8	Static
Transport Infrastructure Assets Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	Green 6	Static
Service Delivery Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	Green 6	Static

Risk Management Toolkit – Criteria to assess the likelihood of a risk occurring and its impact i.e. High (4) x Critical (4) = Red (16) **Appendix D**

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

Assess the likelihood of the risk occurring	
High (4)	Risk will almost certainly occur or is occurring at present
Medium (3)	Risk is likely to occur in most circumstances
Low (2)	Risk may occur
Negligible (1)	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> Significant change in partner services Relationship breakdown between major partners and stakeholders Serious impact on delivery of objectives Unplanned major re-prioritisation of resources and/or services in partner organisations Failure of a delivery programme/major project 	<ul style="list-style-type: none"> Inability to secure or loss of significant funding opportunity (£5m) Significant financial loss in one or more partners (£2m) Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence
Significant	<ul style="list-style-type: none"> One or more objectives/programmes affected One or more partners do not commit to shared vision Significant environmental impact 	<ul style="list-style-type: none"> Partner unable to commit to joint arrangements Recoverable impact on delivery of objectives Major project failure 	<ul style="list-style-type: none"> Prosecution Change in notable funding or loss of major funding opportunity (£2m) Notable change in a Partners contribution Notable adverse impact on budget (£0.5m-£1.5m Transport budgets) 	<ul style="list-style-type: none"> Notable external criticism Notable change in confidence or satisfaction Internal dispute between partners Adverse national/regional media attention Lack of partner consultation Significant change in community confidence
Minor	<ul style="list-style-type: none"> Less than 2 priority outcomes adversely affected Isolated serious injury/ill health Minor environmental impact 	<ul style="list-style-type: none"> Threatened loss of partner's commitment 	<ul style="list-style-type: none"> Minor financial loss in more than one partner Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> Failure to reach agreement with individual partner Change in confidence or satisfaction Minor change in community confidence
Insignificant	<ul style="list-style-type: none"> Minor effect on priorities/service objectives Isolated minor injury/ill health No environmental impact 		<ul style="list-style-type: none"> Isolated/minor financial impact in a partner organisation <p>(Financial limits are under review)</p>	

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Audit and Standards Committee

21 January 2020

Subject: 2019/20 Annual Governance Statement Framework

Report of: Risk Advisor to the North of Tyne Combined Authority

Report Summary

The purpose of this report is to introduce the assurance framework which will be used to produce the Authority's 2019/20 Annual Governance Statement.

Recommendations

The Audit and Standards Committee are recommended to agree the approach to be taken to produce the 2019/20 Annual Governance Statement, including the Authority's assurance framework.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:
- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
 - Prepare an annual governance statement; and
 - Through a relevant committee review and approve the Annual Governance Statement
- 1.2 The proposed approach to produce the 2019/20 Statement is based on a framework of assurance from a number of areas and in preparing it, it will be necessary to review evidence from the following sources. This approach complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice:
- Governance Arrangements e.g. the Authority's Constitution
 - Assurance from the Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements
 - Members – Views of Audit and Standards Committee
 - Internal Audit Activity – including the Chief Internal Auditors annual opinion
 - Risk Management – Strategic risk reviews
 - Performance Management – Outcomes reported during 2019/20
 - Views of the external auditor and other external inspectorates
 - Key Partnerships, including the North East Joint Transport Committee
 - Nexus
- 1.3 The Audit and Standards Committee will use the assurance framework to review the governance and internal control environment operating during 2019/20 and to challenge assurance being provided on the effective operation of control systems, before approving the Annual Governance Statement for inclusion with the Authority's final 2019/20 annual accounts.
- 1.4 The final Annual Governance Statement will be signed by the Mayor of the Combined Authority and the Head of Paid Service.
- 1.5 The Audit and Standards Committee will receive reports throughout 2020/21 to allow them to monitor the implementation of any actions to rectify weaknesses should they be identified during preparation of the 2019/20 Statement.

2. Potential Impact on Objectives

- 2.1 The Annual Governance Statement covers the Authority's overall governance and control environment enabling delivery of its priorities and ambitions.

3. Key Risks

- 3.1 The report itself has no direct risk implications, however the production of the Annual Governance Statement will include the overview of the Authority's strategic risk areas and how they are being managed.

4. Financial and Other Resources Implications

4.1 The work to develop the Annual Governance Statement will be carried out by Newcastle City Council's Internal Audit Service under the SLA for 2019/20

5. Legal Implications

5.1 There are no legal implications arising specifically from this report.

6. Consultation/Engagement

6.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have consulted on the Annual Governance Statement Assurance Framework.

7. Appendices

7.1 None.

8. Background Papers

8.1 2018/19 Annual Governance Statement

9. Contact Officers

9.1 Philip Slater – Chief Internal Auditor – Newcastle City Council (acting as Risk Advisor to NTCA)

E-mail: Philip.slater@newcastle.gov.uk

Telephone: 0191 2116511

10. Sign-off

10.1 Head of Paid Service: Yes

Monitoring Officer: Yes

Chief Finance Officer: Yes

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Audit progress report

North of Tyne Combined Authority

January 2020





CONTENTS

- 1. Audit progress**
- 2. National publications**

This document is to be regarded as confidential to North of Tyne Combined Authority. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

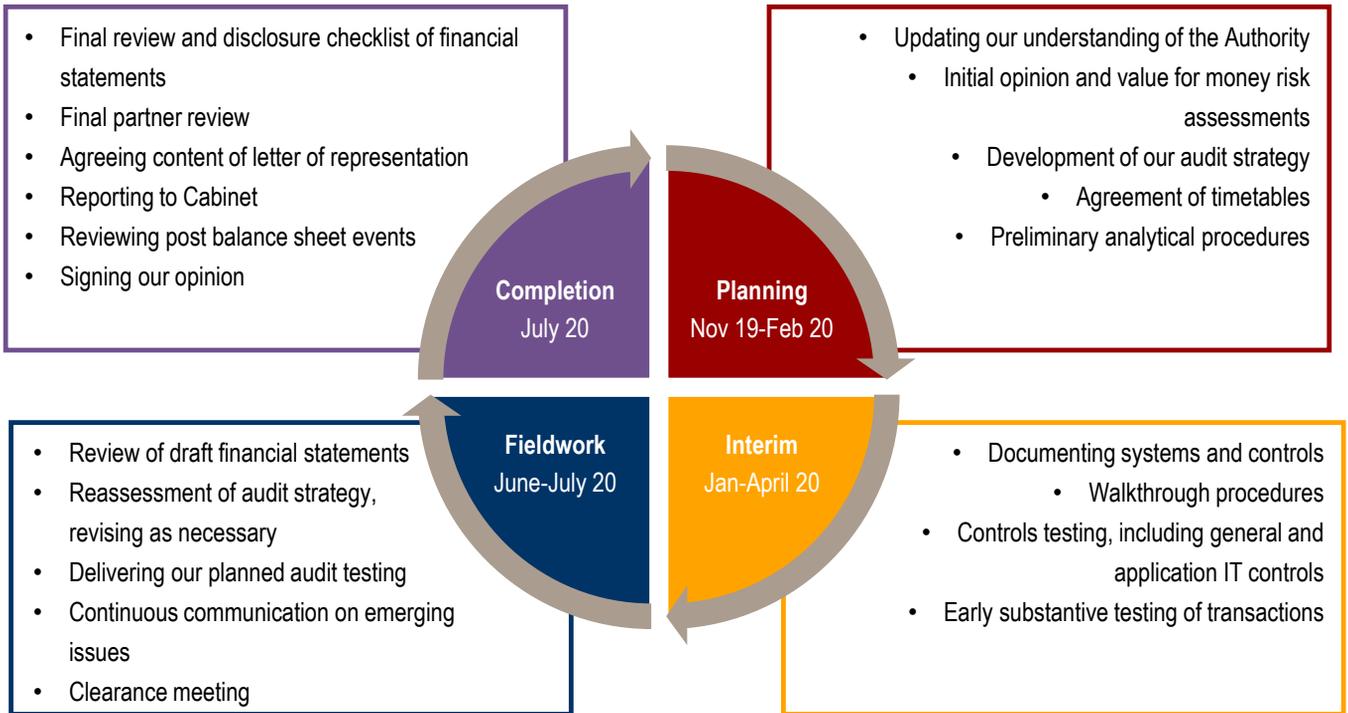
This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

Our key audit stages are summarised in the diagram shown below.

We are currently at the planning stage. The outcome of this work will be communicated in our Audit Strategy Memorandum. We intend to present the 2019/20 Audit Strategy Memorandum to the April 2020 Audit Committee.

There are no significant matters arising from our audit work that we are required to report to you at this stage.



2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Consultation – new Code of Audit Practice from 2020	Second stage of consultation to take place in the second half of 2019. New Code to take effect from 2020/21.
2.	Exiting the EU: supplying the health and social care sectors	The report considers the Department of Health & Social Care's progress in implementing its Continuity of Supply Programme.
3.	Support for pupils with special educational needs and disabilities in England	This report assesses how well pupils with SEND are being supported.
Local Government Association		
4.	Spending Round 2019: on the day briefing	Briefing on the latest spending round.
5.	A Councillor's guide to digital connectivity, LGA	Key information for Councillors.
6.	Reaching out, Local Government Association	Loneliness policy context and consideration of effective local delivery models.
Housing, Communities and Local Government Select Committee		
7.	Government response to the Housing, Communities and Local Government Select Committee report 'Local Government Finance and the 2019 Spending Review'	

2. NATIONAL PUBLICATIONS

1. Consultation – new Code of Audit Practice from 2020, NAO, May 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second will be undertaken in the second half of 2019. The NAO plans to consult on the draft Code text during late summer/autumn and then finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

Value for money arrangements

The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money (VFM arrangements).

Currently, the auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

There were three common issues identified, namely:

- financial sustainability;
- financial governance; and
- wider partnership working.

The NAO plans to consider how the auditor should report their findings on the adequacy of arrangements, and whether this should be replaced, or supplemented, by a commentary on the specified risks set out in auditor guidance.

<https://www.nao.org.uk/code-audit-practice/about-code/>

2. Exiting the EU: supplying the health and social care sectors, NAO, September 2019

In December 2018 the Department of Health & Social Care (the Department) brought all its preparations for maintaining supplies in the event of a 'no-deal' EU exit under a single Continuity of Supply Programme. The programme's objective is "to safeguard patient care and to ensure that the supply of medicines and medical products remains unhindered in a no-deal scenario". The NAO report examines the progress the Department has made in implementing the Programme.

<https://www.nao.org.uk/report/exiting-the-eu-supplying-the-health-and-social-care-sectors/>

2. NATIONAL PUBLICATIONS

3. Support for pupils with special educational needs and disabilities in England, NAO, September 2019.

This report assesses how well pupils with SEND are being supported. In particular the NAO examined:

- the system for supporting pupils with SEND and the outcomes it is achieving;
- funding, spending and financial sustainability; and
- the quality of support and experiences of pupils and parents.

One of the reports findings is that the system for supporting pupils with SEND is not, on current trends, financially sustainable. Many local authorities are failing to live within their high-needs budgets and meet the demand for support. Pressures – such as incentives for mainstream schools to be less inclusive, increased demand for special school places, growing use of independent schools and reductions in per-pupil funding – are making the system less, rather than more, sustainable. The report states the Department needs to act urgently to secure the improvements in quality and sustainability that are needed to achieve value for money.

<https://www.nao.org.uk/report/support-for-pupils-with-special-educational-needs-and-disabilities/>

4. Spending Round 2019: on the day briefing, Local Government Association, September 2019

Briefing issued by LGA in early September.

Key messages

- The 2019 Spending Round has provided councils with much of the funding certainty and stability they need for next year. The Chancellor has announced a funding package of more than £3.5 billion for vital council services. This is the biggest year on year real terms increase in spending power for local government in a decade. This funding will allow councils to meet the increase in cost and demand pressures they face in 2020/21, which we assess as amounting to £2.6 billion.
- The Government has responded to calls for new money, including £1 billion for social care and £700 million for children and young people with special educational needs and disabilities. The Chancellor confirmed that key grants to local government will also continue next year.
- With this investment councils will be better able to ensure older and disabled people can live the lives they want to lead. Councils will also be better able to support our most vulnerable young people, and to continue to improve their local areas.

<https://www.local.gov.uk/parliament/briefings-and-responses/spending-round-2019-day-briefing>

5. A Councillor's guide to digital connectivity, Local Government Association.

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing local area.

<https://www.local.gov.uk/councillors-guide-digital-connectivity-0>

6. Reaching out, Local Government Association.

This guide outlines the current loneliness policy context, uses a range of case studies to demonstrate effective local delivery models working in practice, and provides useful checklists and tips on how to measure and evaluate outputs.

<https://www.local.gov.uk/reaching-out>

2. NATIONAL PUBLICATIONS

7. The government's response to the report on Local Government Finance and the 2019 Spending Review, October 2019

The Government has responded to the Housing, Communities and Local Government Select Committee report on Local Government Finance and the 2019 Spending Review. In the report, the Government covers the decision to undertake a review of local government audit. The Government also responds to several other recommendations from the Select Committee's original report, including:

- developing a more consistent approach to the collection and monitoring of comparative data about councils' performance, efficiency and financial sustainability;
- the need for MHCLG, working with HM Treasury and other departments, to clearly set out what tasks are expected of local government and how much funding it requires;
- the need for increased adult social care funding;
- the need for MHCLG and HM Treasury to provide a multi-year settlement for local government which runs for one year beyond the Spending Review period – similar to the approach that is currently used for Departmental capital budgets; and
- the need for reforms and substantial changes to the business rate retention system.

<https://www.gov.uk/government/publications/local-government-finance-and-the-2019-spending-review-response-to-the-select-committee-report>

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