

**Approved Minutes
Audit and Standards Committee**

28 July 2020

(10.00 - 11.05 am)

The meeting was held remotely and live streamed to YouTube

Draft Minutes

Present:

Chair: Mr Doug Ross

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

52 WELCOME AND APOLOGIES

The Chair welcomed everyone to the virtual meeting. All those present were aware that the meeting will be recorded.

Apologies were received from Cllr J Watson and E Richards.

53 DECLARATIONS OF INTEREST

None

54 AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 21 JANUARY 2020

The minutes of the meeting held on 21 January 2020 were agreed as a correct record (subject to a minor grammatical error) and confirmed by the Chair via email.

Matters arising - minute 46 Self-Assessment refers: Committee noted the revised timetable for the Self-Assessment.

55 INTERNAL AUDIT

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

Consideration was given to the annual report the purpose of which was to outline Internal Audit's 2019/20 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control. The report provided the opinion for 2019/20 demonstrating that the framework is satisfactory. This is a positive assessment of the control environment of the organisation.

Attention was drawn to paragraphs 3.5 and 3.7 of the report. Paragraph 3.5 confirmed that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development, and given the range of responsibilities it is required to discharge. Paragraph 3.7 refers to the Coronavirus Pandemic. The full impact of the pandemic is still evolving, and all local government bodies are in the process of evaluating the changes to their risk profile and operations.

RESOLVED that - The Audit and Standards Committee considered and noted the Chief Internal Auditor's 2019/20 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as Appendix 1 of the report.

Internal Audit Quarterly Update Report

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

Members considered the report which provided Audit & Standards Committee with an update on progress against the 2019/20 Internal Audit Plan and relevant outcomes from work undertaken.

It was noted that the report is a final update and, the recommendations contained within the Financial Regulations Diagnostic Toolkit report, previously presented to Committee have mainly been fully implemented.

Further work was undertaken on the Assurance Framework and the Investment Fund to assess the adequacy and effectiveness of governance arrangements. Referring to the Adult Education Budget (AEB), the Acting Chief Internal Auditor advised that work has been diverted to support the Combined Authority in a project assurance role. The review was not part of the original Internal Audit Plan submitted in April 2019, however, as this is an essential part of the work being delivered by the Combined Authority it was appropriate for Internal Audit time to be diverted to support this area of work. A summary of audits previously approved by Committee was provided on page 23 of the report.

Questions/Comments from Members included:

- A member referred to outstanding actions in relation to the two remaining high priority recommendations. The first referred to updating Contract Standing Orders (contracting rules), and the second related to Financial Regulations and Financial Procedures Notes. A question was asked as to whether they had been presented to Cabinet in July. In response the Chief

Finance Officer advised that the papers will be presented to a meeting of the Cabinet following today's meeting of Audit and Standards Committee.

- A question was asked in relation to the AEB (page 21 of the report) and the ten providers who are currently grant funded by the Education and Skills Funding Agency, and how the Combined Authority will a) measure the effects and delivery of benefits and b) if reports will be presented to future meetings of the Committee, demonstrating positive improvements as a result of the investments. In responding the Chief Finance Officer advised that work is in progress. She referred to a report presented to a meeting of the Overview and Scrutiny Committee with regards to how performance measures will be monitored, and to ensure that progression of the AEB is in line with the ambitions of the combined Authority.

Further information was provided by T Candlish, Internal Audit, who is supporting the project team looking at how to evidence the outcomes and develop performance management.

RESOLVED – that the Internal Audit report be noted.

Strategic Audit Plan

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

Consideration was given to the report the purpose of which was to outline the proposed Strategic Audit Plan for 2020/21 for consideration and endorsement by the Audit and Standards Committee. A copy of the plan is attached at Appendix A of the report.

It was noted that due to the Coronavirus Pandemic the risk profile of the Combined Authority was constantly changing; any changes will be reported back to the Committee. The Acting Chief Internal Auditor drew attention to the risk regarding 'Arrangements for ensuring and evidencing delivery of the Devolution Deal' a key risk which also include risks associated with the AEB.

Questions/Comments from Members included:

- Referring to the Devolution Deal a Member commented on the impact of the Pandemic and the way people work and whether the Audit plan is still deliverable. The Acting Chief Internal Auditor explained that a view will be taken, also, the Devolution Deal is included on the Strategic Risk Register, also included on the agenda. He confirmed that the Pandemic will impact on the delivery of programmes but will be monitored throughout the year.

RESOLVED – that the Audit and Standards Committee considered and endorsed the proposed Strategic Audit Plan 2020/21, attached as **Appendix A**, which is based on an assessment of audit risk and designed to focus on the North of Tyne Combined Authority's key objectives in the 2020/21 year.

Proposed Audit and Standards Committee Work Programme 2020/21

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

The report set out a proposed programme of core business to be considered by the Audit and Standards Committee during the 2020/21 Municipal Year, in line with its Terms of Reference as set out in the Combined Authority's Constitution.

Members noted that the proposed Self-Assessment will now be undertaken in April 2021. The Chair suggested that following the self-assessment a report is presented to Cabinet on the work of the Committee and how it has discharged its duties.

RESOLVED that the Audit and Standards Committee –

- 1) Agreed the proposed core business work programme set out within the report for the 2020/21 Municipal Year.
- 2) Noted that the core business work programme set out within the report has been prepared in light of the Covid-19 pandemic.
- 3) Noted that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues and to respond to emerging trends during the year.
- 4) Noted that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference.
- 5) Considered what initial support and/or training members of the Committee may require.

56 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

Submitted: Report of the Risk Advisor to the North of Tyne Combined Authority (NTCA).

The purpose of the report was to provide assurance to Audit and Standards Committee that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to address them.

It was noted that the strategic risk register has been reviewed and updated to reflect the current and emerging situation as the Authority responds to the impact of the Covid-19 pandemic. This has resulted in the risk assessment for the Devolution risk increasing from Amber to Red. However, it was further noted that initial outcomes are positive, and it was anticipated that the risks would be downgraded to Amber.

Attention was drawn to a new opportunity which will monitor the developing partnership arrangements between NTCA and the North East LEP. . There is greater opportunity to maximise partnership arrangements, working together to coordinate and manage resources, embed effective governance arrangements and collectively respond to future opportunities and challenges.

Comment/ Questions from Members included:

- In responding to a question as to why the risks are improving and moving back to amber the Risk Advisor explained that discussions and meetings have been held to discuss programmes and the points from these meetings are positive; there no indications that there will be any great impact on devolution.
- A member referred to the previous question and queried whether there were opportunities for devolution due to the Covid pandemic, with regards to funding for those areas who require additional assistance. The risk advisor agreed to discuss with the risk owners.
- A Member questioned why the Delivery of Devolution is presented as a single risk when there are various elements within it and why the risk owners have presented the risk arising from Covid within the Devolution risk only and not included it across other areas of the Combined Authority. In response the Risk Advisor clarified the position explaining that the Devolution risk was included on the register when the Combined Authority came into existence; at that time the Adult Education budget had not been devolved. However, if risks move at a different pace then it would be justified to separate them. With regards as to why Covid is only included in the Devolution risk, members were advised this is seen as a key challenge and could impact on the capacity of the Combined Authority to deliver Devolution and its objectives.
- The Risk Advisor and his team were thanked for the level of information provided including data in relation to the North East Local Enterprise Partnership and Covid.

RESOLVED that the Audit and Standards Committee –

- 1) Reviewed and where necessary challenged the outcomes of the strategic risk review.
- 2). Acknowledged the Devolution risk priority has increased from Amber to Red as a result of the uncertainties surrounding the outbreak of Covid-19.
- 3). Acknowledged the new opportunity which will monitor the developing arrangements between NTCA and the North East LEP.

57 **DRAFT STATEMENT OF ACCOUNTS**

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

Members considered the report the purpose of which was to present Committee with the draft Statement of Accounts for the year ended 31 March 2020.

It was noted that the accounts, as yet unpublished, were complex in that they included the Combined Authority's share of the Joint Transport Committee's expenditure, assets and liabilities and a group account in respect of Nexus. Performance management across the year is set out in Appendix B of the report.

Comment/ Questions from Members included:

A Member raised several questions regarding the accounts listed as follows:

- Services Transferred from NECA Transport – Tyne & Wear. Clarification was sought of the sums involved. K Laing advised that further discussion was required, and feedback will be provided to members.
- Expenditure ‘Other service expenses’ - 2019/20 – £72.870m. The Chief Finance Officer was requested to indicate where the breakdown details are for the ‘other expenses’ within the accounts. K Laing explained that this related to payments made to NECA and following the meeting a complete breakdown will be provided. The Chief Finance Officer further advised that another line can be added to the accounts but cautioned that there is a fine balance between transparency and the Code.
- Officers Remuneration. This presently shows the Elected Mayor within the same area as salaried Combined Authority Senior Officers. In response the Chief Finance Officer agreed that the position of Elected Mayor should be removed. In respect of the Managing Director of Transport Arrangements Committee were advised that this is a full percentage of the salary costs. Further feedback will be provided to members.
- Credit Risk. n/a - Investments with unrated building societies £1.797m and Investments with UK local Authorities £59.784m. K Laing advised that this related to NECA and further clarification will be provided following the meeting to members.
- Short Term Debtors. The Chief Finance Officer was requested to list names of those under each of the sub-headings for transparency. K Laing advised that an explanation will be provided to members following the meeting.
- Capital Expenditure and Capital Financing. Property, Plant and Equipment - 2019 - £.5m/2020 £4.918m. Due to the size of the increase in this area, further information as to what this relates to was requested. K Laing advised that further information will be provided to members following the meeting.
- Reference was made to the Investment Fund Thematic Area and the allocation for Technical Support. The Chief Finance Officer was asked if the allocation was over budgeted. In response the Chief finance Officer explained that 2019/20 was the first full year of the Combined Authority’s existence.
- A request was made to change the sentence on page 175 (NTCA Order and Constitution) which currently reads as ‘Decisions by the Elected Mayor will be subject to scrutiny by the Overview and Scrutiny Committee and Cabinet’ This should read as ‘Mayoral decisions and decisions made by Cabinet will be subject to Scrutiny’ It was agreed to amend the wording.
- A member referred to the current Coronavirus and asked the Chief Finance Officer what provisions have been made to allow the public to view the accounts. Committee were advised that the accounts will be published on the North of Tyne website and if anyone does request a paper copy provision will be made for a safe, socially distanced meeting.

RESOLVED – that the Audit and Standards Committee considered the draft Statement of Accounts 2019/20 and acknowledged minor changes since production of the report. In addition, further information will be provided regarding the above bullet points.

58 **ANNUAL GOVERNANCE STATEMENT**

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

Consideration was given to the report which provided details of the outcome of the annual review of the Authority's governance and internal control arrangements.

It was noted that the report did not identify any significant weaknesses and the draft report will be finalised following completion of the accounts. The outcome of the review and any learning from the Authority's response to the Coronavirus pandemic will be reflected in an updated Annual Governance Statement, before it is considered as part of the audit of the Council's financial statements.

RESOLVED that the Audit and Standards Committee -

- 1) Approved the attached draft 2019/20 Annual Governance Statement, recognising that it has been prepared during arrangements put in place to respond to the Coronavirus.
- 2) Acknowledged that the Statement will be revisited and updated as necessary to reflect the adequacy of the governance and internal control arrangements put in place during this period.

59 **STANDARDS**

The Interim Monitoring Officer provided a verbal update in respect of the Local Government Association (LGA) Model Member Code of Conduct presently out for consultation. Whilst this is for information only, Members will at some point need to decide if they wish to adopt the new code.

60 **EXTERNAL AUDITORS - AUDIT STRATEGY MEMORANDUM**

Submitted: Report of Mazars (External Auditors), (previously circulated and a copy attached to the Official Minutes).

C Waddell presented the Audit Strategy Memorandum for the Combined Authority and the Group for the year ending 31 March 2020.

The document summarised the audit approach, highlight significant audit risks and areas of key judgements and provided the details of the audit team, as it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients.

During the presentation several key points were highlighted including:

The scope of the audit remains the same.

Mazars have not received any correspondence from electors.

Assurance is required from the Tyne and Wear Pension Fund; this will be provided before the next meeting.

Identified risks relevant to the audit of financial statements as detailed in section 4 of the report, in particular Revenue Recognition with regards to Tyne Tunnel tolls and grant income.

For the 2019/20 financial year, Mazars have identified no significant risk to their value for money conclusion.

RESOLVED – that the Audit and Standards Committee considered and approved the report for presentation to Cabinet.

61 **DATE AND TIME OF NEXT MEETING**

22 September 2020 at 10.00am