

Audit and Standards Committee

Tuesday 5 July 2022 at 10.00 am

Meeting to be held: Banqueting Hall, Civic Centre, 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.
3. **Appointment of Vice-Chair for the municipal year 2022-2023**
4. **Agreement of the minutes of the meeting held on 26 April 2022** 1 - 8
5. **2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control** 9 - 16
6. **Internal Audit - Quarterly Update Report** 17 - 22
7. **Strategic Risk and Opportunities Register** 23 - 52
8. **Draft Annual Governance Statement (2021/22)** 53 - 84

9. **Draft Statement of Accounts (2021/22)**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

10. **External Audit Progress Report**

85 - 100

11. **Date and Time of Next Meeting**

Tuesday 15 November 2022 at 10am. Venue to be confirmed.

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Audit and Standards Committee

26 April 2022

(10.05 - 11.00 am)

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

Draft Minutes

Present:

Chair: D Ross

Councillors: C Hardy, A McMullen, C Penny-Evans, S Postlethwaite, M Purvis and G Stone

21 WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and noted the attendance of Richard Dunlop who would attend future meetings as Chief Internal Auditor, and Gavin Baker from Mazars who was attending in respect of item 10 on the agenda.

Apologies for absence were noted from Councillors Ferguson, Chisholm, Cox and Rankin. Councillors Stone, Postlethwaite and Seymour were in attendance as substitute members.

22 DECLARATIONS OF INTEREST

None.

VARIATION TO AGENDA ORDER

Noting that the meeting was not quorate at that point, committee agreed to vary the order of the agenda to consider item 10 (Follow up letter to the Audit Completion Report 2020/21) as the next item of business.

23 FOLLOW UP LETTER TO THE AUDIT COMPLETION REPORT 2020/21

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

K Laing, Strategic Finance Manager, presented the report, which provided an update to committee from the external auditors, Mazars, relating to the NTCA Statement of Accounts 2020/21.

G Baker, Mazars, drew committee attention to a national issue that had arisen since the last committee meeting in January 2022, which would result in delay to the issue of the audit opinion on the 2020/21 financial statements. The issue related to custom and practice that had developed across the country in relation to the technical accounting of material infrastructure assets where original costs and associated depreciation were removed from the Balance Sheet when infrastructure was updated. Practices were not fully compliant with the CIPFA Code of Practice, and a national solution was required. The issue would not impact on the underlying financial position, the outturn for the year or the level of useable reserves.

G Baker went on to draw members attention to the resolution of outstanding issues in the Audit Completion Report and noted the ongoing value for money work that would be concluded by the date of the next meeting.

Responding to questions from the committee, K Laing, Strategic Finance Manager, advised that the national infrastructure accounting issue had also been raised at the Joint Transport Committee Audit Committee.

G Baker confirmed that the delay would impact on all authorities that needed to submit Whole of Government Accounts, regardless of an audit opinion having already been issued.

The Chair thanked G Baker for attending the meeting

It was agreed that the follow-up letter to the Audit Completion Report 2020/21 be noted.

[Cllr Postlethwaite joined the meeting, and committee was then quorate]

24 **AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 18 JANUARY 2022**

The minutes of the previous meeting on 18 January 2022 were agreed as an accurate record and signed by the Chair.

25 **INTERNAL AUDIT STRATEGIC AUDIT PLAN 2022/23**

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

K McDonald, Acting Chief Internal Auditor, presented the report, which outlined the proposed Strategic Audit Plan for 2022/23. Reference was made to preparation of the plan based on identified risks and engagement that had taken place with risk and other senior officers. It was noted that the risk profile had changed over time to one that was now focused on delivery, with the plan including standard areas of work alongside work that reflected the identified risk areas.

The Chair welcomed the comprehensive plan and noted how the plan had matured and moved toward a focus on delivery, with input from senior officers.

RESOLVED - that the committee endorse the proposed Strategic Audit Plan 2022/23, as attached at appendix A of the report.

26 **INTERNAL AUDIT QUARTERLY UPDATE**

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

K McDonald, Acting Chief Internal Auditor, presented the report, which provided an update on progress against the 2021/22 Internal Audit Plan and any other work undertaken during 2021/22.

The Chair noted that the Internal Audit Plan reflected that the combined authority acted as the accountable body for the North East Local Enterprise Partnership.

RESOLVED - that committee note the report.

27 **PROPOSED AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2022/23**

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

K McDonald, Acting Chief Internal Auditor, presented the report, which set out a proposed programme of core business to be considered by the committee during the 2022/23 municipal year, in line with its Terms of Reference as set out in the combined authority's constitution. It was noted that additional items of business could be added during the year if required.

RESOLVED - that:

- i. The proposed core business work programme for 2022/23 municipal year be agreed, as set out in the report.
- ii. Committee note that it may be necessary to change or adapt the work programme, to ensure optimum timing of consideration of governance issues and to respond to emerging trends during the year.
- iii. Committee note that it 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.

28 **REVIEW OF AUDIT AND STANDARDS COMMITTEE ARRANGEMENTS**

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

K McDonald, Acting Chief Internal Auditor, presented the report, which provided an update on the review of Audit and Standards Committee arrangements led by the

Chair and the Chief Internal Auditor. Committee attention was drawn to the key themes arising from the review that would form the basis of an annual report from the Chair to Cabinet.

The Chair welcomed the discussion that had taken place with members who were able to take part and senior officers, and acknowledged the positive development of meetings toward a focus on the issues and risks that may impact on delivery. He believed that the committee was meeting its Terms of Reference, although there may be more than could be done.

In discussion it was noted that the report to Cabinet would be agreed by the Chair with a copy circulated to committee members for comment in advance.

RESOLVED: that committee -

- i. Note the key themes arising from the review of Audit and Standards Committee arrangements, and that they will supplement the self-assessment review, to form the basis of an annual report from the committee to Cabinet demonstrating how Audit and Standards Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.
- ii. Agree to delegate development of the Audit and Standards Committee annual report to the Chief Internal Auditor to complete in conjunction with the independent co-opted Chair, on behalf of the committee, for presentation to Cabinet.
- iii. Agree that a draft of the report be circulated to committee members for comment, prior to presentation to Cabinet.

29 **STRATEGIC RISK AND OPPORTUNITIES REGISTER, QUARTERLY UPDATE**

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

P Slater, Risk Advisor to the North of Tyne Combined Authority presented the report, which provided assurance to the committee that the most significant risks and opportunities had been identified, were being monitored and measures taken to mitigate them. Reference was also made to work that would take place with the North East Local Enterprise Partnership over the coming year to align their risk reporting to the new format used by the combined authority.

Commenting further, R Redfern, Director of Policy and Performance, acknowledged the extent of officer involvement in this area of work, the engagement that had taken place with a wide range of officers to identify risk in a meaningful way and the open and honest relationship that was in place with the audit team.

The Chair, referred to meetings he held with the Director of Policy and Performance to understand risks that were identified and welcomed the production of a strong risk register that was reflected in the Internal Audit Plan.

RESOLVED – that committee accept the outcomes of the strategic risk review, noting that the risk register would be updated before each quarterly update.

30 **2021/22 DRAFT ANNUAL GOVERNANCE STATEMENT**

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

P Slater, Risk Advisor to the North of Tyne Combined Authority presented the report, which highlighted the provisional outcome of the annual review of the authority's governance and internal control arrangements operating during 2021/22. A further draft would be presented to committee at a future meeting.

Reference was made to the assurance that had been sought from a number of significant partners on the effectiveness of their controls and it was noted that no significant weaknesses had been identified. An area of improvement had been identified previously in relation to the CIPFA financial management code and work on this would continue to take place.

The Chair welcomed the comprehensive report and requested that committee be updated if there were matters to bring to its attention.

RESOLVED: that committee -

- i. Note the action being taken to ensure compliance with the CIPFA Financial Management Code.
- ii. Note that the 2021/22 AGS will be kept under review and amended as necessary should any weaknesses come to light before committee receive a further draft at its July meeting and up to the date of the final approval of the NTCA financial statements.

31 **PREPARATION OF THE 2021/22 ANNUAL STATEMENT OF ACCOUNTS**

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

K Laing, Strategic Finance Manager, presented the report, which provided details of the plan that would be used to produce the Annual Statement of Accounts. Reference was made to the revised deadline for published accounts to 30 November 2022 and the reliance on the completion of accounts by the North East Combined Authority and Nexus before draft accounts could be prepared. As the accountable body, the accounts would also include the North East Local Enterprise Partnership and Invest North East.

Work was underway to identify all aspects of work to undertaken and additional quality assurance and accounts capacity was in place. Assurance was provided that the deadline for issue of draft accounts would be met, albeit that this relied on the completion of the NECA and Nexus accounts, and this risk was reflected in the risk log.

RESOLVED – that the work outlined in respect of the closure of the 2021/22 Accounts be noted.

32 ACCOUNTING POLICIES TO BE USED IN COMPLICATION OF THE 2021/22 STATEMENT OF ACCOUNTS

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

K Laing, Strategic Finance Manager, presented the report, which provided details of the proposed accounting policies to be applied in the preparation of the 2021/22 Statement of Accounts of the North of Tyne Combined Authority. It was noted that had been no major changes since the last draft with recent CIPFA changes having no impact on the proposals.

RESOLVED: that committee –

- i. Note the Accounting Policies to be adopted by the combined authority and used to compile the Accounts for the financial year ended 31 March 2022.
- ii. Authorise the Chief Finance Officer to review the Accounting Policies as necessary, and report changes to the Audit and Standards Committee.

33 STANDARDS UPDATE

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

J Softy, Monitoring Officer, presented the report, which updated committee on complaints made under the Members' Code of Conduct and requested approval on the grant of dispensation to Cabinet Members.

In respect of the complaints received, it was noted that both related to an alleged failure to register an interest under the code. Having investigated the complaints, it was concluded that in each case there was no suggestion that the member had acted in a way that the interest had influenced their decision, and in discussion with the Independent Member, no further action would be taken. Subsequently, all members had been reminded of the need to ensure registers of interest were kept up to date.

In respect of dispensations for 2022/23, the Monitoring Officer reminded committee of the need to agree dispensation for Cabinet Members in order that they could take part in decisions related to their own local authority, as the constitution required participation at Cabinet by all local authority members.

Finally, attention was also drawn Committee on Standards in Public Life (CSPL) recommendations from its review into local government ethical standards, where the government had determined that no action would be taken in response. It was noted that constituent local authorities sought to ensure a consistent approach.

RESOLVED: that –

- i. The report be noted

- ii. Dispensation to Cabinet Members and substitute members, would continue to apply so as to allow them to participate in decision of NTCA where they have an interest by virtue of being a member of a constituent authority.

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Audit and Standards Committee 5 July 2022

Subject: 2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

Report of: Richard Dunlop, Interim Chief Internal Auditor

Report Summary

The purpose of this report is to outline Internal Audit’s 2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control.

Recommendations

The Audit and Standards Committee is recommended to consider and note the Chief Internal Auditor’s 2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control, attached as **Appendix 1**.

1. Background Information, Proposals and Timetable for Implementation

2021/22 Opinion of the Chief Internal Auditor on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control (Appendix 1)

- 1.1 This report by the Chief Internal Auditor provides an annual opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority during 2021/22.
- 1.2 It is the responsibility of management both to ensure that effective internal controls are in place within the Combined Authority and to establish sound arrangements for planning, appraising, authorising, and controlling their operations. Internal Audit supports management by testing to see whether these controls are operating effectively and are appropriate.
- 1.3 For the purposes of this report, the Chief Internal Auditor undertook a programme of assurance activity in accordance with the Public Sector Internal Audit Standards (PSIAS). The programme of assurance for 2021/22 was as set out in the Internal Audit Strategic Audit Plan 2021/22 and discussed by and agreed at Audit and Standards Committee on 20 April 2021.
- 1.4 The Chief Internal Auditor notes that the Combined Authority was formed in November 2018 and is a relatively new entity. As such, it would be expected that procedures for the new authority would continue to develop and evolve.
- 1.5 Internal Audit can report that good progress has been made during 2021/22 developing the framework of governance, risk management and control. This was evidenced in our review of ‘arrangements for ensuring and evidencing delivery of the devolution deal’, which received a Significant Assurance audit opinion. Two of the three key financial systems reviewed,

Budget Monitoring & Reporting and Payroll, received Significant Assurance audit opinions.

- 1.6 In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must provide an annual audit opinion. The opinion of the Chief Internal Auditor is that the Authority's framework of governance, risk management and control is satisfactory overall based upon the audit work undertaken in 2021/22. This is a positive assessment of the control environment of the organisation.
- 1.7 The Internal Audit Service develops and maintains a quality assurance programme which covers all aspects of internal audit activity.
- 1.8 In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management's responsibility to implement agreed recommendations, which are subject to internal audit follow up.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority's Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

3. Key Risks

- 3.1 The Internal Audit coverage 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.

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. However, 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 Cities and Local Government Devolution Act 2016 establishes that Combined Authorities must arrange for the appointment of an Audit Committee as well as setting out the functions of the Audit Committee. This includes reviewing and assessing the Authority's risk management, internal control, and corporate governance arrangements.
- 5.2 The Accounts and Audit Regulations 2015 is a key statutory instrument which requires 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.
- 5.3 The Public Sector Internal Audit Standards (and related Local Government Application Note) establishes the professional standards Internal Audit must apply when planning the use of its resources. This report has been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

6. Equalities and Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality

Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

7. Inclusive Economy Implications

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the Combined Authority's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability.

8. Climate Change Implications

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful that the Combined Authority and the three constituent Local Authorities have declared a Climate Emergency.

9. Consultation and Engagement

- 9.1 The 2021/22 opinion on the adequacy and effectiveness of the framework of governance, risk management and control, summarises Internal Audit findings communicated to, and discussed with, management throughout the course of the financial year. Throughout the year regular reports advising of the outcomes of Internal Audit's work have also been made to the Audit and Standards Committee, in accordance with the Audit and Standards Committee's planned schedule of work.

10. Appendices

Appendix 1 – 2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

11. Background Papers

- (a) [Internal Audit Strategic Audit Plan 2021/22](#)
- (b) [Cities and Local Government Devolution Act 2016](#)
- (c) [Accounts and Audit Regulations 2015](#)
- (d) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (e) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

12. Contact Officers

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<p>NORTH OF TYNE ~~~~~ COMBINED AUTHORITY</p>	<p>Internal Audit Report:</p> <p>2021/22 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control</p>
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1 Purpose of Report

- 1.1 This report by the Chief Internal Auditor provides an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control within the North of Tyne Combined Authority during 2021/22 (herein referred to as the Combined Authority).
- 1.2 This is the fourth annual opinion provided to the Combined Authority. The Chief Internal Auditor confirms that audit coverage has been based on Internal Audit's risk assessment of the organisation, and that the Internal Audit team has been allowed unfettered access to undertake the audit work set out in the Internal Audit Strategic Audit Plan 2021/22. The Strategic Audit Plan was presented to the Audit and Standards Committee in April 2021.

2 Governance, Risk Management and Control

- 2.1 It is the responsibility of the Combined Authority management both to ensure that effective internal controls are in place within and to establish sound arrangements for planning, appraising, authorising and controlling their operations. Internal Audit supports management by testing to see whether these controls are operating effectively and are appropriate.
- 2.2 Whilst part of the Combined Authority's overall assurance framework, Internal Audit is not a substitute for effective internal control within the Combined Authority's systems.
- 2.3 Effective controls depend, amongst other factors, on:
- The nature, size and volume of transactions.
 - The degree of control which management is able to exercise personally.
 - The geographical distribution of the enterprise; and
 - The cost of operation of the controls against the benefits expected from them.

2.4 There are eight main types of internal control:

Preventative Controls

- (i) Segregation of duties (no one person should be responsible for processing and recording a complete transaction).
- (ii) Authorisation and approval (all financial transactions should require authorisation by an appropriate responsible official; the limits of authorisation should be specified).
- (iii) Physical (custody of / access to tangible assets should be secure and limited to authorised personnel).

Detective Controls

- (iv) Arithmetic & Accounting (controls within the recording function to check that transactions have been authorised, are included, are correctly recorded and are accurately processed).

Directive Controls

- (v) Organisation (responsibilities should be defined and allocated; reporting lines should be identified; delegation of authority should be clearly specified).
- (vi) Supervision (all actions by all levels of staff should be supervised; the responsibility for this supervision should be clearly laid down and communicated to the person being supervised).
- (vii) Personnel (procedures should exist to ensure that staff are competent to carry out the jobs assigned to them, including proper recruitment and performance management procedures, career prospects, training and pay policies).
- (viii) Management (controls exercised by management outside the day-to-day routine of the system, including supervision).

3 Opinion on the Adequacy and Effectiveness of the Framework of Governance, Risk Management and Control

- 3.1 To arrive at the opinion, the Chief Internal Auditor has undertaken a programme of assurance activity as defined by the Public Sector Internal Audit Standards (PSIAS).
- 3.2 This 2021/22 programme of assurance activity was set out in the Internal Audit Strategic Audit Plan 2021/22. This plan was discussed and agreed at Audit and Standards Committee on 20 April 2021.
- 3.3 The Chief Internal Auditor notes that the Combined Authority remains a relatively new entity, and as such, it would be normal and expected that procedures for the authority will evolve. Internal Audit can report that good progress has continued to be made during 2021/22 in establishing and embedding the framework of governance, risk management and control. This was evidenced in our reviews of 'arrangements for ensuring and evidencing delivery of the devolution deal', Payroll and Budget Monitoring & Reporting which all received Significant Assurance audit opinions.
- 3.4 The opinion of the Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation.
- 3.5 Assurance can never be absolute, and neither can Internal Audit work be designed to identify all weaknesses that might exist. This judgement is informed by the outcomes of Internal Audit's coverage during 2021/22 as reported to Audit and Standards Committee throughout the year. A summary of work undertaken is provided in Section 4 of this report.

- 3.6 Internal Audit is required to be alert to changes in the risk environment and conditions in which any audited entity operates. Internal Audit notes that the Coronavirus pandemic brought about a number of significant changes nationally through to 2021/22. The Coronavirus pandemic has been far-reaching in its impact and local government bodies, including Combined Authorities, have subsequently been a key part of the response to the pandemic. Throughout the pandemic public bodies have continued to evaluate the changes to their risk profile and operations.
- 3.7 The Chief Internal Auditor has not needed to place reliance on the work of other bodies in forming this view, and there are no limitations in the scope of the opinion.
- 3.8 In accordance with its role, Internal Audit has agreed recommendations with management aimed at further strengthening the control environment in operation within the organisation. It is management's responsibility to implement agreed recommendations.

4 Audit Work Performed During 2021/22

- 4.1 During 2021/22 Internal Audit work focussed upon the following areas:
- A review of 'arrangements for ensuring and evidencing delivery of the devolution deal' identified that the foundations of effective performance management arrangements were in place, although some areas were still being developed. A Significant Assurance audit opinion was provided.
 - A review of Key Financial Systems was undertaken and focussed upon three main areas:
 - Budget Monitoring and Reporting – the audit found that there was a sound of control with only one medium priority issue, relating to lack of a formal reserves policy, identified. A Significant Assurance audit opinion was provided.
 - Creditor Payments – the audit found issues relating the expenditure approval framework which if not rectified will erode control. The Service Level Agreement (SLA) for the service was also found to be lacking in qualitative and quantitative performance measures to enable performance management. A Limited Assurance audit opinion was provided.
 - Payroll – the audit found some weaknesses including a lack of defined performance indicators in the SLA and an issue regarding approvals in the new starter process. A Significant Assurance audit opinion was provided.
 - Analysis of matches arising from participation in the Cabinet Office's National Fraud Initiative data matching exercise. Data in relation to Payroll and Trade Creditors had previously been submitted and a small number of matches were returned to for further review. All matches were reviewed, and no issues were identified.
 - Support was provided in a programme assurance capacity as the North East Local Enterprise Partnership (NELEP) developed a new electronic workflow expenses procedure, and to the AEB (Adult Education Budget) steering group.
 - 21/22 Grant Claim Certification – Certification of five separate claims with a combined value of £1.416 million.
- 4.2 At the time of preparing this report planned reviews of the Combined Authority's governance arrangements in relation to North East LEP and Service Level Agreements were underway. At this stage in the reviews there have been no significant matters identified that impact upon this opinion.
- 4.3 The number of Internal Audit recommendations agreed with management during the 2021/22 audit year, classified against each priority, is provided in the table below:

Priority Level	Description	2021/22
Critical	Action that is considered critical to ensure the organisation is not exposed to unacceptable risks.	Nil
High	Action that is considered urgent to ensure that the service area / establishment is not exposed to high risks.	Nil
Medium	Action that is considered necessary to avoid exposure to considerable risks.	12 (60%)
Low	Action that is considered desirable or best practice and would result in enhanced control or better value for money.	8 (40%)
	Total	20

4.5 Prioritisation of Internal Audit recommendations is controlled through Internal Audit's quality control and review processes. This is in accordance with the requirements of PSIAS, which requires that a Quality Assurance and Improvement Programme is in place for Internal Audit's work.

5 Public Sector Internal Audit Standards: Summary of Conformance

5.1 All public sector internal audit providers in the UK are required to comply fully with the Public Sector Internal Audit Standards (PSIAS). The PSIAS requires the Chief Internal Auditor to develop and maintain a Quality Assurance and Improvement Programme (QAIP). This enables the Internal Audit service to be assessed against the PSIAS, and the related Local Government Application Note (LGAN), for conformance.

5.2 The QAIP must include both internal and external assessments. Internal assessments are ongoing and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the PSIAS, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

5.3 During 2021/22 Internal Audit services were delivered to the North of Tyne Combined Authority by the Shared Internal Audit Service (which also provided services to North Tyneside Council and Northumberland County Council). The Shared Internal Audit Service was externally assessed for compliance with the PSIAS during 2017/18 and the assessment concluded that:

"The Shared Internal Audit Service is compliant with the requirements of the Public Sector Internal Audit Standards. There are a small number of areas which require action, but these do not significantly impact on the overall opinion. There were no areas of concern to be reported."

5.4 In accordance with PSIAS, annual self-assessments have been completed since the external inspection which are congruent with the opinion of the external assessment. The small number of areas in which further development had been identified, (e.g. the involvement of the Chair of Audit Committee in the Chief Internal Auditor's performance appraisal) have been implemented.

Audit and Standards Committee 5 July 2022

Subject: Internal Audit Quarterly Update Report

Report of: Richard Dunlop, Interim Chief Internal Auditor

Report Summary

A quarterly update from Internal Audit is included within the Work Programme for the Audit and Standards Committee at each scheduled meeting during the year. This report provides Audit and Standards Committee with an update on progress against the 2021/22 Internal Audit Plan, agreed by the Audit and Standards Committee at its meeting on 20 April 2021, and any other recent work undertaken.

Updates to future meetings of the Audit and Standards Committee will be in relation to the 2022/23 Internal Audit Plan agreed at the Committee's meeting on 26 April 2022. Internal Audit are currently liaising with management to schedule the 2022/23 planned work to ensure the audits take place at the optimum times throughout the year and to take into consideration the commitments of key staff from both the Combined Authority and the Internal Audit team.

Recommendations

The Audit and Standards Committee is recommended to consider and note Internal Audit's report.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Internal Audit Plan approved by Audit and Standards Committee on 20 April 2021 set out a number of assignments. A summary of each of these, and any other work recently undertaken is provided below.

Work Completed Since Previous Meeting

Area of Review	Description of Assignment and Current Status
Key Finance Systems	<p>The objectives of this audit were to review the Combined Authority's key financial systems and assess whether they demonstrate high standards of probity and are adequately controlled. The audit of key financial systems focused on the following areas, and included coverage of the North East Local Enterprise Partnership where they utilised NTCA systems:</p> <ul style="list-style-type: none"> • Budget Monitoring and Reporting • Creditor Payments • Payroll <p>The work provided an assurance opinion for each area reviewed.</p> <ul style="list-style-type: none"> • Budget Monitoring and Reporting – the audit found that there was a sound of control with only one medium priority issue, relating to lack of a formal reserves policy, identified. A Significant Assurance audit opinion was provided.

	<ul style="list-style-type: none"> • Creditor Payments – the audit found issues relating the expenditure approval framework which if not rectified will erode control. The Service Level Agreement (SLA) for the service was also found to be lacking in qualitative and quantitative performance measures to enable performance management. A Limited Assurance audit opinion was provided. • Payroll – the audit found some weaknesses including a lack of defined performance indicators in the SLA and an issue regarding approvals in the new starter process. A Significant Assurance audit opinion was provided.
Brownfield Housing Fund Grant Claim Certification	The Combined Authority was awarded £23.8million by the then Ministry of Housing, Communities and Local Government over a five-year period to unlock between 1,500 and 2,500 new homes. Internal Audit has performed certification of expenditure of £3.4m in respect of year two of the programme.
Certification of NELEP Grant Returns	Internal Audit undertook grant certification work totalling £1.53m on behalf of the NELEP in relation to the following 2021/22 grant funding awarded by the Department for Business Energy and Industrial Strategy (BEIS): <ul style="list-style-type: none"> • Peer Networks £0.31m • Growth Hub Funding £0.77m • Made Smarter Adoption £0.45m
Evidence Checking of Recommendations	<p>In accordance with Internal Audit's established processes, evidence checking is undertaken in relation to the implementation of medium priority recommendations that have passed their agreed implementation date.</p> <p>A meeting was scheduled to follow up on the four medium priority recommendations made in the 'Arrangements for ensuring and evidencing delivery of the Devolution Deal' audit. Unfortunately this had to be postponed due to covid and the availability of a key officer. A further meeting has been scheduled, and an update will be provided in the next quarterly report.</p>

Current Work

Area of Review	Description of Assignment and Current Status
Governance Arrangements in relation to the North East Local Enterprise Partnership (NELEP)	This audit is underway and involves a review of the financial management, decision-making and reporting arrangements established between the Combined Authority and NELEP to ensure these adequately serve the Combined Authority's role as accountable body for the NELEP.
Governance arrangements and Service Level Agreements	This assignment is underway. A number of SLAs have received coverage through other audit work, such as the Key Finance Systems, and the remaining key SLAs will be covered in this audit as agreed with the Director of Policy and Performance.

	<p>The overall scope and objective of the work is: The Combined Authority has a number of Service Level Agreements (SLAs) in place with its constituent local authorities for the provision of key support services including HR and Payroll, Legal, Internal Audit, Finance, Risk Management, Data Protection, Democratic Services, IT and Procurement. This audit will examine the arrangements for key governance functions and monitoring the effectiveness of and compliance with the SLAs in place.</p>
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Work Reprogrammed to the 2022/23 Strategic Audit Plan

Area of Review	Description of Assignment and Current Status
Information Systems and Technology	<p>Review of IT system controls in place within the OPS Project and Grant Management System. We will continue to offer advice and guidance on system controls during the final development and implementation stage should this be requested and look to provide early assurance once the system is operational.</p> <p>This audit was scheduled to commence early in 2022 but was deferred at the request of the Director Policy and Performance. This work will be incorporated into a wider review of Performance Management that is included in the 2022/23 Internal Audit Plan.</p>

Upcoming Work

Area of Review	Description of Assignment and Current Status
National Fraud Initiative (NFI) Data Matching Exercise	<p>The NFI is the Cabinet Office's data matching exercise to prevent and detect fraud. All bodies participating in the NFI receive reports of matches that they should investigate, to detect instances of fraud, over or under-payments, and other errors. Results from the data that will be submitted in October 2022 will be available to review from approximately January 2023. Internal Audit will undertake an analysis of the results and liaise with Combined Authority staff to ensure appropriate follow-up action is undertaken should it be required.</p>
Monitoring of grant conditions (in respect of grant funding both received by NTCA and issued by NTCA)	<p>This audit will examine and evaluate the arrangements established by NTCA to monitor its own grant conditions as a grant funding recipient and ensure that specified outcomes are delivered; and also to assess arrangements within NTCA as a grant funder to set appropriate grant conditions when issuing funding to other organisations and monitor and evidence compliance with those grant conditions. In this respect the audit will build upon the Investment Fund audit undertaken in 2019/20 when the Combined Authority was at an embryonic stage in establishing its Investment Fund arrangements.</p>

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

3. Key Risks

- 3.1 Internal Audit coverage 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 Cities and Local Government Devolution Act 2016 established that Combined Authorities must arrange for the appointment of an Audit Committee and sets out the functions of the Audit Committee. This includes reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.
- 5.2 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.
- 5.3 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 Strategic Plan 2021/22 have been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

6. Equalities and Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

7. Inclusive Economy Implications

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions.

8. Climate Change Implications

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is aware of NTCA's net zero transition ambitions and that the three constituent Local Authorities have declared a Climate Emergency.

9. Consultation and Engagement

- 9.1 The Managing Director, Chief Finance Officer and Director of Policy and Performance were consulted in preparation of Internal Audit's 2021/22 and 2022/23 audit coverage.

10. Appendices

None

11. Background Papers

- (a) [Internal Audit Strategic Audit Plan 2021/22](#)
- (b) [Internal Audit Strategic Audit Plan 2022/23](#)
- (c) [Cities and Local Government Devolution Act 2016](#)
- (d) [Accounts and Audit Regulations 2015](#)
- (e) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (f) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

12. Contact Officers

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13. Glossary

Abbreviation	Description
NFI	National Fraud Initiative - The Cabinet Office's data matching exercise
NELEP	North East Local Enterprise Partnership

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Report Summary

The aim of the report is 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 mitigate them.

The risk register has been reviewed and updated by the responsible officers. As the risks were last reported to the Committee in April and with many of the mitigation plans not due for review until September 2022, this has resulted in no major changes to the risks at this time - there is however continued confidence in the actions being taken to mitigate the risks identified in the register.

The Innovation in Recovery risk remains Amber, however additional narrative has been provided for the Committee – The Authority acknowledges the significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery i.e., the cost-of-living crisis and concerns about forthcoming economic slowdown. However, NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on implementation of the NTCA's investment plan priorities, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented. A detailed assessment of the risk can be found at Appendix B.

The strategic risk register is attached at Appendix B.

Recommendations

The Audit and Standards Committee is recommended to:

1. Review, challenge and accept the outcomes of the strategic risk review

- 1. Background Information, Proposals and Timetable for Implementation**

The aim of the report is 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 mitigate them

- 2. Strategic Risk and Opportunities Update**

- 2.1 A3 - Innovation in Recovery - Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.**

While there remain significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery, the NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on implementation of the NTCA's investment plan priorities, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented. Overall, our judgement is that despite the organisation's progress in delivery and mitigation, on balance this risk remains Amber due to wider external factors – including the cost-of-living crisis and concerns about forthcoming economic slowdown.

- 2.2 There has been no change in the risk assessments for the strategic risks since the risk register was reported to the Committee in April 2022. There is however continued confidence in the actions being taken to mitigate those risks and a detailed assessment of each risk and future activity to reduce the overall risk exposure can be found at Appendix B.

An 'at a glance' view of the strategic risk register can be found at Appendix A.

3. Additional Risk Information

- 3.1 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 developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the strategic risk register.

- 3.2 The strategic risks identified by the North East LEP are also included at Appendix C for information. This provides NTCA visibility of the North East LEP strategic risk areas to consider if the risks identified by the North East LEP have any impact upon the delivery of NTCA's plans and priorities or the Strategic Risk Register.

Officers from the North East LEP have been contacted to discuss aligning the North East LEP risks to the new NTCA format. The outcome of the discussions will be shared with the Committee at the next appropriate meeting.

- 3.3 The JTC Strategic Risk Register is reported for information only and records the biggest threats to the achievement of the strategic objectives of the North East JTC and its organisational risks. It was updated by NECA's risk management service and presented to the JTC Audit Committee at its meeting on 23 March 2022. A summary of the North East JTC strategic risks as reported in March 2022 is provided at Appendix D for information only. A full copy of the JTC strategic risk register and mitigation plans can be found on the JTC Audit and Standards Committee Agenda [here](#).

4. Potential Impact on Objectives

- 4.1 The development of the strategic risk and opportunities 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.

5. Key Risks

- 5.1 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, which will be updated over the coming months to reflect the activity underway to reframe the Combined Authority's approach to the management of risk. The key risks will continue to be reported regularly to the Audit and Standards Committee.

6. Financial and Other Resources Implications

- 6.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA (and the North East LEP) during 2022/23 through a Service Level Agreement with Newcastle City Council.

7. Legal Implications

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

8. Equalities Implications

8.1 There are no equality and diversity implications arising from this report

9. Inclusive Economy Implications

9.1 There are no direct inclusive economy implications arising out of the recommendations in this report

10. Climate Change Implications

10.1 There are no climate change implications arising from this report.

11. Consultation and Engagement

11.1 The Chief Executive, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the strategic risk register.

12. Appendices

12.1 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 – Provides an assessment of the North East LEP strategic risks and future activity to reduce the overall risk exposure

Appendix D – A summary of the strategic risks, risk priorities and direction of travel assessments identified by the North East Joint Transport Committee

Appendix E – Risk Analysis Toolkit to determine the risk priority

13. Background Papers

14.1 The North East Joint Transport Committee (JTC) strategic risks can be found on the NECA website as part of the March 2022 JTC Audit Committee agenda [here](#).

14. Contact Officers

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15. Glossary

15.1 North East LEP - North East Local Enterprise Partnership

'Risk at a glance'

Appendix A

	Risk Priority	Direction of Travel
Strategic Risks & Opportunities		
External Risks		
A1 – Net Zero Transition Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.	Amber 8	Static
A2 – Inclusive Economy Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure 'good work' and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.	Amber 9	Static
A3 - Innovation in Recovery Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.	Amber 8	Static
External Opportunity		
B1 – Promote Trust and Confidence Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.	Green 4	Static
Organisational Risks		
C1 – Business Continuity Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.	Amber 8	Static
C2 - Operational Capacity and Resources NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.	Amber 8	Static

A		External Risks					
1. Net Zero Transition							
Aim	Ensuring our whole programme supports carbon reduction, clean growth and a new generation of jobs.						
Risk	Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.						
Risk Owner	Chief Economist	Risk Priority	Static	Previous RAG	Amber 8	Current RAG	Amber 8
Reason for change/current RAG rating: N/A							
Issues to be aware of & potential impact		Existing Controls & Mitigation Plans		Additional Mitigation Plans		Review date	
a) The UK Climate Change Act sets a legally binding target to achieve net zero greenhouse gas emissions across the UK economy by 2050 and reduce emissions by 78% by 2035 compared to 1990 levels. The constituent LA's have their carbon reduction targets. The scale of the challenge is enormous, and leadership is key to enabling everyone to play their part in the fight against climate change.		<ul style="list-style-type: none"> • Full political commitment and leadership from the Mayor and Cabinet to recognise the climate emergency and NTCA's role in reducing emissions and seizing the opportunities of the green economy. • NTCA's approach learns from and builds on the work already being done in the region. Our work is developed collaboratively with the three constituent Local Authorities and wider regional stakeholders including the North East LEP. • NTCA Corporate Environment Policy and annual report on organisational carbon emissions. • Newcastle City Council, North Tyneside Council and Northumberland County Council all have ambitious carbon reduction targets for their local areas, and all have approved climate emergency plans. • NTCA Energy, Green Growth and Climate Change Blueprint - £28m package of investment up to 2023. • The Low Carbon Working Group (LCWG) is made up of officers from NTCA, the three constituent LAs and the North East LEP and 		<ul style="list-style-type: none"> • Development of proposals for the 2023-2028 investment programme will provide an opportunity to continue to focus on green and inclusive economic growth • Regular reviews of delivery programme to ensure alignment with delivery of targets. • Over £20m of investment by NTCA in low carbon economy, including the recent launch of the Green New Deal Fund 		September 2022	

	meets monthly to discuss climate change and low carbon issues.		
b) The impacts of climate change and the green economy covers a wide range of areas. National policy related to climate change can change and be updated regularly.	<ul style="list-style-type: none"> In addition to drawing on the expertise of the regular members of the Low Carbon Working Group (LCWG), NTCA will reach out to experts from other policy areas and attend regional and national events/conferences/webinars. 	Existing controls sufficient at time of report.	September 2022
c) Climate change is a complex problem and solutions are likely to require significant social as well as technical transformations. This has direct implication for a more inclusive economy. Citizens, businesses and wider stakeholders need to be engaged, supported and at the centre of our response to the climate emergency.	<ul style="list-style-type: none"> The North of Tyne Citizens Assembly on Climate Change provided representative citizen engagement and their findings will help shape the development of the NTCA programme. The NTCA programme also covers a broad range of thematic areas, as described further in the September 2021 report to Cabinet. 	<p>Cabinet has agreed to receive regular reports detailing how NTCA intends to work with the three constituent Local Authorities and wider regional stakeholders including the North East LEP and Transport North East to respond to the recommendations of the Citizens' Assembly.</p> <p>NTCA supporting the development of the Net Zero North East proposal</p>	September 2022
d) The scale of the challenge and the resources required to deliver local and national long-term carbon reduction targets and green growth ambitions is large, not fully known and requires a national as well as local approach. Attracting investment is essential to enable the North of Tyne to realise the potential and be a world leader in green growth.	<ul style="list-style-type: none"> Collaborative working across the North of Tyne, North East, with other Mayoral Combined Authority's and Government to develop knowledge, share best practice and to collaborate on projects/funding bids. Develop pipelines of projects which are investment ready via programmes such as the Offshore Wind Programme and Energy Accelerator. Work with academic institutions, VCSE sector and businesses to promote opportunities and share best practice e.g., Green Economy Summit. NTCA attracted £9m of investment to its Green New Deal Fund 	Existing controls sufficient at time of report.	September 2022

<p>e) New jobs and new green skills are likely to be increasingly required in all sectors. Therefore, NTCA must understand the projected skills requirements and ensure the necessary provision is in place</p>	<ul style="list-style-type: none"> • Regular reviews of National and Local research to assess skills demand in the Green Economy – and input into the annual update of NTCA Strategic Skills Plan • Collaborative working with LA's, North East LEP to share research and insight into green skills requirements 	<p>Green Growth Skills funding opportunity launched in September 2021 – the specification for this fund seeks proposals that will help inform the projected skills requirements of NTCA growth and recovery sectors. This funding aims to ensure provision is in place to contribute to a just and inclusive low carbon transition. Two projects related to this funding were approved at March Cabinet and an additional two are currently completing Business Cases and will be submitted for approval in May 2022.</p> <p>NTCA has secured funding for Skills Bootcamps – this will be procured in April 2022. The specification for this tender includes a Lot for Green Skills.</p>	<p>September 2022</p>
<p>f) Many of the measures required to reduce carbon are not within the Combined Authority's remit.</p>	<ul style="list-style-type: none"> • Work with partners to help make the changes required. • Influence decision makers at all levels. 	<p>Work with business, constituent LAs and North East LEP to develop key messages and policy positions/asks, including through the emerging Net Zero North East proposition</p>	<p>September 2022</p>

A		External Risks					
2. Inclusive Economy							
Aim	Ensuring our work is underpinned by people, communities and inclusive economic growth, as well as ensuring inclusive economy thinking and practice is fully embedded across NTCA and our partnerships.						
Risk	Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure 'good work' and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.						
Risk Owner	Head of Inclusive Growth	Risk Priority	Static	Previous RAG	Amber 9	Current RAG	Amber 9
Reason for change/current RAG rating: N/A							
Issues to be aware of & potential impact		Existing Controls & Mitigation Plans		Additional Mitigation Plans		Review date	
a) External factors, primarily COVID-19 recovery, cost of living crisis and Brexit counteract the impacts of the investment NTCA is able to make to reduce inequality and deliver good jobs.		<p>NTCA's new portfolio structure covers Education, Inclusion and Skills, as well as Social Economy and Communities.</p> <p>Inclusive economy is a cross-cutting theme within the Corporate Plan 2021 and is supported by the advisory NTCA Inclusive Economy Board (IEB).</p> <p>Significant breadth and depth of IE projects and programmes now into delivery mode.</p>		<p>Wider promotion of the concepts of economic inclusion via:</p> <ul style="list-style-type: none"> National networks and influencing e.g., M10 (the 10 directly elected Mayors in England), Comprehensive Spending Review (CSR) Submission Locally good relationships with our provider base to enable agility in reaction to further economic shocks Peer-learning and support e.g., national, Independent Inclusive Growth Network 		March 2023	
b) Reducing inequality is a key commitment made by the NTCA. However, many challenges around poverty and inequality are structural and have national or international drivers. These are beyond the scope of NTCA to influence.		<p>NTCA's Inclusive Economy Policy Statement and Equalities Objectives provide a clear statement of our organisational commitment to a more inclusive economy with an emphasis on reducing poverty and inequality and promoting equity and cohesion.</p>		<p>Extension of the Inclusive Economy Innovation Fund beyond 2023</p>		March 2023	

	Inclusive economy is a cross-cutting theme in the Corporate Plan driven forward by the Inclusive Economy Board.		
c) To support NTCA's corporate plan we require a skills infrastructure that is fully aware of, and responsive to the sectors that have labour and skills shortages. The need to ensure our residents have the right skills to get a good job and progress in work, and employers have access to an adaptable, resilient and skilled local workforce, has never been greater.	<p>NTCA Strategic Skills Plan has been updated in 2021 reflecting the area's skills needs for an inclusive economic recovery.</p> <p>Working with the devolved Adult Education Budget (AEB) provider base, to ensure delivery plans are aligned to labour market demand and skills shortages.</p> <p>Monitoring devolved AEB participation data to ensure provision is accessible to a broader range of under-represented groups.</p> <p>Monitoring the volume of provision and funding utilised by providers to address barriers to employment, including improving attainment in basic English, Maths and Digital.</p> <p>Launching the employer led Skills for Growth funding to enable employers to upskill and reskill their employees for the jobs and roles of the future.</p>	<p>Ongoing dialogue with Government, NTCA adult education providers and employers to ensure delivery continues to meet area skills needs.</p> <p>Utilising in year funding flexibilities to ensure AEB funding is flexible and responsive to labour market changes.</p> <p>An additional £5.2m has been secured for Skills Bootcamps to deliver employment related training in Key Sectors across NTCA – Funding will be procured during April 2022 with delivery expected by June 2022.</p> <p>NTCA has received a £4.1m allocation for the delivery of 'Multiply' an adult numeracy programme across North of Tyne. An investment plan outlining how Multiply will be delivered will be submitted to DfE on 30th June 2022</p>	September 2022
d) Continuity of funded provision for NTCA residents is at risk if providers and grant-recipients across skills, employability and wider interventions become financially unstable.	<p>Adult Education Budget - The launch of the 2021-2023 Strategic Skills Plan will ensure updates can be implemented quickly to ensure its ongoing relevance during the pandemic and into recovery.</p> <p>Employability and Wider Skills Interventions - Inclusive growth team's strategic framing includes DWP Employment Support Framework,</p>	Continued engagement with NTCA AEB providers, via provider roundtables and quarterly one to one performance monitoring meetings identifying the impacts of Covid-19 and informing the direction, priorities and allocations for the NTCA AEB providers	September 2022

	<p>Inclusive Economy Policy Statement, Inclusive Economy Board (governance) which work together to manage, mitigate, and react to risks.</p>	<p>Informing the plan for the immediate impact of Covid-19 and medium/long term mitigation planning.</p> <p>Continued engagement with recipients of funding and wider stakeholders such as sector representative organisations, central government departments and local authority partners.</p> <p>Key priorities set out in the Strategic Skills Plan include supporting residents of all ages, including those in work to develop their skills to progress into better jobs. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups.</p> <p>Supporting CRF applications for Skills and Employability interventions to prevent the 'cliff edge' of European Social Fund funding ceasing.</p>	
<p>e) National and local conditions e.g., economic instability limit NTCA's ability to promote and drive good jobs and local economic resilience.</p>	<p>The Investment Fund Business case includes a strengthened inclusive economy case, co-designed by the Programme Management Office and Inclusive Economy Team, to monitor, measure and assess Inclusive Economy impacts.</p> <p>Our Good Work Pledge promotes the value of good work, which is well-paid and secure, and drives positive change across the area's employers at all sizes</p>	<p>NTCA has developed an anchor network proposition to encourage large institutions across all sectors to support local economic resilience. First meeting of key stakeholders held and next steps agreed.</p> <p>Leadership on key priorities is distributed across partners improving resilience and reducing reliance on one lead organisation to deliver.</p>	<p>September 2022</p>

	and scales – 50 organisations accredited as at March 2022 with an expected 150 by March 2023.		
f) NTCA does not sufficiently fulfil its commitment to co-production and co-design by creating projects and programmes which are effective for local communities and residents.	NTCA co-design and co-production strategy includes activities and mechanisms to make sure residents can contribute directly to our work and plans e.g., through our Poverty Truth Commission and forthcoming equalities assembly. This is supported by our VCSE Accord with the voluntary sector, and our Mayoral Ambassador.	Organisation-wide commitment to co-design and co-production with active investment in tools and platforms to get direct input and views from residents and businesses (commonplace; power to change social economy call for evidence)	September 2022

A		External Risks					
3. Innovation in Recovery							
Aim	To ensure that our businesses, people and places can adapt, recover and thrive post coronavirus pandemic and that outcomes of NTCA investment are seen to clearly and directly contribute to this success. Overall, ensuring the NTCA area is attractive to residents, businesses and visitors as a result of a thriving economy, green credentials, exceptional quality of life and improved opportunities for all.						
Risk	Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.						
Risk Owner	Chief Economist	Risk Priority	Static	Previous RAG	Amber 8	Current RAG	Amber 8
Reason for change/current RAG rating: While there remain significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery, the NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on the stakeholder surveys and gateway review process, implementation of the NTCA's investment plan priorities, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented. Overall, our judgement is that despite the organisation's progress in delivery and mitigation, on balance this risk remains Amber due to wider external factors – including the cost-of-living crisis and concerns about forthcoming economic slowdown.							
Issues to be aware of & potential impact		Existing Controls & Mitigation Plans		Additional Mitigation Plans		Review date	
a) NTCA must respond to major economic shocks – and the pace of change externally.		<p>Regular updates are provided to NTCA Cabinet on the current economic context and implications for the NTCA's activities.</p> <p>Significant stakeholder networks ensure NTCA is tuned in to the external environment and the major economic trends.</p> <p>Clear processes and delegations provide opportunities to bring forward activity at pace – should the context demand it.</p> <p>Good relationships with NTCA grant recipients allow for activity to be refocussed and re-prioritised to meet external demands – if required</p>		NTCA business and assurance framework processes are reviewed regularly to ensure maximum agility and fitness for purpose.		September 2022	

<p>b) NTCA must be able to clearly articulate policy priorities and how they deliver improved Innovation and recovery: this is included as a part of the 5-year Gateway Review.</p>	<p>NTCA policy priorities are drawn from NTCA's Devolution Deal, the Mayor's Manifesto, and the subsequent strategic direction agreed by our Cabinet through subsequent decisions. The evaluation framework provides a systematic way that the investments made by NTCA are assessed in terms of effectiveness and value for money, but also that we can learn, adapt and improve the way that we work in a changing environment.</p> <p>Through the strategic and economic cases within the Green Book process all projects are required to clearly articulate their rationale which includes fit with NTCA objectives, contribution to headline devolution deal targets and the relevant NTCA output indicators that will be used to monitor this through the QMR process.</p>	<p>The Programme Management Office (PMO) monitor all projects on a quarterly basis – following Standard Operating Procedures and NTCAs agreed output indicators.</p> <p>NTCAs investment plan and individual projects are aligned to the delivery of the corporate plan – giving a clear line of sight from priorities, investment decisions and impact.</p> <p>An evaluation framework to capture our achievements and learning has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output reporting. This evaluation framework is being shared with Government, as part of the process leading up to the Investment Fund Gateway Review.</p>	September 2022
<p>c) The level of funding required may be beyond NTCA resources, and there is uncertainty associated with bidding for additional resources – which has both internal capacity risks and a need to be able to clearly demonstrate a track record in delivery and impact.</p>	<p>Senior Management Team (SMT) regularly review organisational capacity requirements and upcoming activity through the situation reporting process. NTCA collaborations with key officers within its constituent authorities ensures expertise is available when required. External consultancy budgets can be utilised to provide short term capacity for specific pieces of work.</p>	<p>NTCA is leading early engagement with stakeholders to understand changes in the European Structural Investment Funds (ESIF) funding landscape in advance of UK Shared Prosperity Fund and changes to other key government funding streams as a result of the Comprehensive Spending Review. This will inform the future capacity requirements and ways of working once government direction of travel becomes clear.</p>	September 2022

<p>d) Ability of NTCA to demonstrate clear targets and outcomes at all levels (organisational, theme, programme, project) and to have the ability and capacity to monitor them.</p>	<p>NTCAs Monitoring and Evaluation Framework demonstrates:</p> <ul style="list-style-type: none"> • How our priorities, mission and values translate into mechanisms for delivery • How these mechanisms create value; and • How we understand, measure and learn from the impact that we are making. <p>NTCAs Assurance Framework and Green Book Business case process ensures projects are robustly developed and well-articulated and appraised in line with accepted conventions and best practice.</p> <p>Officer and Cabinet member scrutiny through the Technical Officer Group (TOG) and Investment Panel provides robust challenge and assurance.</p> <p>Projects are monitored through standard operating procedures by the PMO with agreed thresholds for escalation of performance issues to Investment Panel.</p>	<p>Monthly SitReps (situation reports) provide regular updates to managers and directors on all of the NTCAs key workstreams – which are reviewed, and areas of concern are picked up directly with lead officers.</p> <p>Project evaluations are undertaken where there is an identified need. The findings of these feed into overall programme design.</p>	<p>September 2022</p>
<p>e) National or international economic downturns or the medium-longer term impact of Covid-19 on businesses and employment could have significant implications for the perceivable impact of NTCA innovation and growth investments, using official data sources.</p>	<p>Investment Fund Programme has been re-orientated to support recovery in the NTCA area, including through the Innovation Recovery Fund and measures to support the Kickstart programme of Youth unemployment – which provides a direct relevance to the specific needs of the economy during lockdown and recovery.</p> <p>Real life case studies are collected across a range of NTCA projects which provide a library of contemporary accounts of how the interventions have added value.</p>	<p>Existing controls sufficient at time of report.</p>	<p>September 2022</p>

	Impact can be evidenced through a number of metrics for which NTCA collects its own data and evidence – e.g., investment made, jobs created, and outputs achieved.		
f) It is important that all communities benefit from economic growth; Inclusive Economy thinking, and practice has an important role in shaping innovation in recovery from pandemic and other economic challenges e.g. cost of living crisis	<p>Inclusive economy is a cross-cutting theme within the Corporate Plan 2021 and is supported by NTCA Inclusive Economy Advisory Board.</p> <p>The PMO is leading work to ensure inclusive economy outcomes and impacts are captured throughout the investment life cycle (business case, delivery, reporting and insight, Investment Fund evaluation)</p>	<p>New portfolio structure brings together Education, Inclusion and Skills. Social Economy and Communities bridges economic growth and inclusive economy work.</p> <p>NTCA equality objectives for 2021-25 shape policy, practice and learning.</p>	March 2023

B		External Opportunity					
1. Promote Trust and Confidence							
Aim	Supporting a system response to complex challenges and collaborating strongly in everything we do with our local, national and cross-sector partners.						
Opportunity	Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.						
Opportunity Owner(s)	Chief Executive/ Director of Policy and Performance	Opportunity Priority	Static	Previous RAG	Amber 9	Current RAG	Green 4
Reason for change/current RAG rating: This opportunity is moving in a positive direction of travel. Partners and stakeholders have been key to the development of the Authority's values. The launch of the Customer Relationship Management system will further strengthen relationships with partners and stakeholders - ensuring the successful delivery of the Authority's aims and objectives.							
Benefits							
<ul style="list-style-type: none"> Collective understanding of the Authority's aims and ambitions to encourage the co-production of our delivery plans. Encourage a more participatory approach to risk which is built on trust and transparency which encourages everyone to share their uncertainties and challenges and work together to resolve them 							
Barriers							
<ul style="list-style-type: none"> Failure to maintain trust, cohesion and credibility with and between local NTCA system and partners Failure to develop trust, cohesion and credibility with those organisations who contribute to the achievement of our objectives who we don't currently engage with 							
Strategies to enhance the opportunity				Action Taken			Review date
a) Encourage inclusive dialogue with our partners and stakeholders				We have worked with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work: <ul style="list-style-type: none"> Driven by our mission Collaborative by design Innovative and agile in delivery Inclusive and aware Showing leadership The evidence for this is in our policies and supported by our team values and behaviours - demonstrating collaboration,			September 2022

	<p>taking ownership, being curious, empathetic, respectful, and in the strong focus on inclusion within our programme.</p> <p>NTCA priorities, projects and performance are regularly communicated externally – including through Cabinet reports and the Corporate Plan.</p>	
b) Identify those organisations who we don't currently engage with to communicate our vision and purpose – offering support	Customer Relationship Management System (CRM) is now being implemented in 3 key areas of the organisation by April 2022 which will streamline our communications and enable better targeting.	September 2022
c) Continued engagement with AEB providers, employers and stakeholders in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.	Published documents which enable the alignment: NTCA Strategic Skills Plan NTCA Corporate Plan NTCA Inclusive Economy Policy Statement	Complete
d) VCSE Ambassador appointed to engage with the VCS (Voluntary and Community Sector).	<p>VCSE (Voluntary, Community and Social Enterprise) Accord - how the NTCA can add value to the work of our local government partners with the VCSE to build capacity, sustainability and be a catalyst for an inclusive economy.</p> <p>The VCSE Stakeholder Engagement Group Annual Report 2021/22 outlines the achievements and progress over the past twelve months. The Group will use its first meeting in March 2022 to take stock and build on the achievements and effective collaborations of 2021</p>	September 2022
e) Continued engagement with regular meetings and consultation with the business community	<p>Frequent engagement with individual businesses and business representative organisations by officers and the Mayor.</p> <p>NTCA Inclusive Economy Board with member representation from the public, private and voluntary sector, including constituent LA's and North East LEP.</p> <p>The Inclusive Economy Board Annual Report 2021/22 outlines its achievements and progress over the past 12 months. The Board will focus on the implications of the Levelling Up White Paper and what it means for the North of Tyne.</p>	September 2022

	<p>NTCA Housing and Land Board membership. The Housing and Land Board Annual Report 2021/22 outlines its achievements over the past 12 months. Over the next year the Board will focus on delivery; ensuring that priorities identified are progressing toward development and that working relationships continue to add value.</p> <p>NTCA collaborates strongly in everything it does with local, national and cross-sector partners. The evidence for this is in the number of partnerships that have grown and been curated within the region and beyond.</p>	
f) Use of an agreed Assurance Process to ensure that the NTCA only funds high quality projects and through the development of the Investment Fund Evaluation Framework to improve our learning and understanding.	<p>Assurance Process includes internal project analysis, full appraisal (external for largest projects) and technical and political scrutiny.</p> <p>An evaluation framework to capture NTCA's achievements has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output reporting. This evaluation framework is being shared with Government, as part of the process leading up to the Investment Fund Gateway Review.</p>	September 2022
g) Customer Relationship Management (CRM) system	A CRM system is now implements in 3 key areas of the organisation the Good Work Pledge, Kickstart and Mayor's Office. The system will streamline our communications and enable better targeting.	September 2022
h) We continue to utilise existing expertise in our constituent authorities	Extensive engagement and involvement of LA colleagues, at all levels, across the organisation	September 2022

C Organisational Risks							
1. Business Continuity							
Aim	To ensure the corporate core of NTCA provides the necessary policies, procedures and plans to enable the Authority to carry out its work efficiently and effectively in all circumstances.						
Risk	Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.						
Risk Owner	Director of Policy and Performance	Risk Priority	Static	Previous RAG	Amber 8	Current RAG	Amber 8
Reason for change/current RAG rating: Retained at Amber as whilst the hybrid working model is in place and working effectively, some information for the revised business continuity plan remains outstanding							
Issues to be aware of & potential impact		Existing Controls & Mitigation Plans		Additional Mitigation Plans		Review date	
a)	Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems and to respond effectively as and when breaches do occur.	Compulsory IT and data protection training modules for new starters and regular refreshers for existing staff. ICT SLA with Newcastle City Council. Monitoring is undertaken of training completion with escalation to senior management where not completed. Good compliance to date.		SLAs reviewed to understand expectations of business and those of ICT Newcastle.		September 2022	
b)	Organisational arrangements need to be flexible enough to enable NTCA to adjust from usual office working to home working quickly and efficiently without causing delays to decisions and delivery.	A COVID-19 Contingency Plan has been in place since March 2020 and worked well. Delegations and urgent decisions procedures robust and understood. All NTCA staff can work from home for a sustained period of time if necessary		Constituent authorities can provide ad hoc space for individuals if required.		September 2022	
c)	There should be no single point of failure in the organisation in case of unexpected leave or resignation.	Organisational Development Strategy in place to develop existing staff and encourage internal progression. No working files stored only on individuals' computers, all are saved in a folder		Existing controls sufficient at time of report.		Yearly – Next review March 2023	

	<p>accessible to at least the team if not the whole organisation.</p> <p>Induction and leaving processes to reiterate this policy.</p> <p>Regular team meetings (small work teams, service team and full staff meetings) to update each other on work and progress.</p>		
d) In the event of a major incident does NTCA have an agreed senior management protocol and incident command structure?	Business Continuity Plan (BCP) – the formulation of a full BCP to reflect the new office location at the Lumen and hybrid working is underway.	The BCP will be updated to include a major incident command structure and officers will be assigned to the role of Major Incident Designated Officer (MIDO). Security protocols for events which are attended by the Mayor and Officers will also be reflected in BCP.	December 2022
e) Do Service Level Agreements (SLAs) have sufficient controls/reference to BCP to ensure NTCA is kept informed/aware of action to be taken should something happen to a provider.	SLAs (e.g., HR, Democratic Services, Procurement, ICT) reflect expectations of the local authority and NTCA, should a service be unable to deliver.		December 2022

C Organisational Risks							
2. Operational Capacity and Resources							
Aim	Innovative and agile in delivery - proactively looking for new ways of working, delivering, and ensuring we add value, learn and adapt in a constantly changing context.						
Risk	NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.						
Risk Owner(s)	NTCA Senior Management Team	Risk Priority	Static	Previous RAG	Amber 8	Current RAG	Amber 8
Reason for change/current RAG rating: Remaining at Amber as still delivering and responding to opportunities at pace, but new significant pieces of work are now required (discussions/plans on further devolution and NTCA is also a Lead Authority for the UK Shared Prosperity Fund) with no additional capacity provided upfront so the demands on the team are significant.							
Issues to be aware of & potential impact		Existing Controls & Mitigation Plans		Additional Mitigation Plans		Review date	
a) Existing resources do not fully align with NTCA's policy intentions which may impact upon delivery of the Authority's strategic priorities.		<p>The Corporate Plan sets out the work programme to be achieved across the organisation providing visibility and clarity of expectations to all staff.</p> <p>A structured exercise has been undertaken to develop resource plans, gauge capacity and clarity with assigned roles and responsibilities to facilitate the effective operation of the Authority. A work programme has been developed for officer use and is referenced in all appraisals.</p> <p>Weekly SMT meetings and monthly SMT Strategy meetings provide a regular touchpoint for SMT to raise and discuss resource issues</p> <p>The North East LEP operational capacity and resourcing risk is a significant risk to the LEP but will not impact upon the Authority's capacity and resources risk.</p>		<p>Workforce Planning is undertaken twice a year with SMT to ensure the organisation is in a position to deliver its programmes for the year ahead, with additional interim discussions to address specific challenges.</p> <p>SitReps and work programmes are updated by all teams monthly, approved by Heads of Service and submitted to Chief Executive/Director, enabling an assessment of progress and the ability to flag issues/areas of concern.</p>		July 2022	

<p>b) NTCA is a prototyping, learning organisation in which there will be 'failures' but the team will learn from them.</p>	<p>Covid planning is an example of how well the organisation worked during a crisis situation and learning from this will be built into future Business Continuity Planning.</p>	<p>Review of business processes undertaken early 2022 to ensure practices efficient and compliant. Implementation expected for new municipal year.</p>	<p>September 2022</p>
<p>c) CIPFA Financial Management Code – Non-compliance with the Code could lead to ill-informed decision making which could adversely impact on the Authority's financial sustainability.</p>	<p>In preparation for the first full year of compliance with the Code (2021/22) the Authority has undertaken a self-assessment to measure its compliance with the FM Code.</p>	<p>Monitoring of the Authority's compliance with the Code is included in the 2021/22 AGS as an area requiring improvement. Implementation of the actions to ensure full compliance with the Code will be monitored by SMT and regularly by Audit and Standards Committee as part of the AGS review process.</p>	<p>July 2022</p>
<p>d) NTCA is a very lean organisation with staff operating to a very high level. There is a nationwide recruitment shortage and NTCA may be unable to undertake new funding opportunities if unable to recruit officers to undertake the work as employee well-being is important to the Authority.</p>	<p>The Authority has a good retention rate and provides employees with a range of development opportunities.</p> <p>Agile Working Policy in place to support employees maintain a good work/life balance.</p>	<p>Internal promotion of benefits (e.g. salary sacrifice schemes for purchase of bikes, cars and electronic goods, agile working) available to NTCA employees and implementation of exit interviews to identify any issues.</p>	<p>September 2022</p>

North East Local Enterprise Partnership – Strategic Risks

<p><u>Operational capacity and resourcing</u></p> <p>Medium term operational budget may not be sufficient to maintain the current capacity within the team to lead the delivery of the Strategic Economic Plan (SEP) and to react to the impact of Brexit, the impact of the Covid-19 pandemic and emerging Government policies due to multiple short term (often annual) funding sources.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause: All funding sources relating to staff resourcing, the core operational budget and project delivery are time limited and are not sufficient to allow the Local Enterprise Partnership (LEP) to effectively plan a medium-term budget and operational model.</p>	
<p>Impact/Consequence: The LEP will need to adjust to operate with a reduced level of staffing resource, limiting and prioritising the scope of work that can be delivered, if future funding is not made available and/or secured.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The 2021/22 LEP operational budget position was agreed by the LEP Board in January 2022, along with an indicative position for 2022/2023. An update on the 2022/2023 position will be reported to the LEP Board in May 2022 along with a three-year estimate. • Some financial reserves are held by the LEP from previous financial years • Potential to call on financial resources relating to Enterprise Zone income if required • Ongoing monitoring of external funding landscape and actions to secure alternative sources • A company limited by guarantee is in place alongside the LEP structure which enables a wider source of funding applications to be made and the LEP to seek funding from other sources 	
<p>Next Steps</p>	<p>Lead Officer(s)</p>
<p>Budget management and forecasting on-going for 22/23 and later in this year planning for future years</p>	<p>Helen Golightly (Chief Executive)</p>
<p>Lobbying of Government to secure additional and longer-term resources for LEPs on-going</p>	<p>Helen Golightly (Chief Executive)</p>
<p>On-going horizon scanning for funding opportunities to support the team and delivery.</p>	<p>Helen Golightly (Chief Executive)</p>

<p><u>Changes in the role and scope of LEPs by government without the resource to support delivery alongside current contractual commitments</u></p> <p>Government fails to allocate sufficient operational budgets following the 2021 LEP Review to support the recommendations</p>	<p><u>Risk Owner</u> Chief Executive</p>	
	<p><u>Risk Score</u></p>	
	<p>Red 12</p>	
	<p>Likelihood – Medium Impact – Critical</p>	
<p>Cause: Government have been reviewing the role of LEPs for a considerable period of time. On the 31 March 2022, the Department for Business Energy and Industrial Strategy has written to LEP Chairs and Combined Authorities outlining the plans and next steps for integrating Local Enterprise Partnerships into local democratic institutions. This also provided clarity on core/transition funding for the financial year of 2022/2023, reflecting the revised role and functions.</p>		
<p>Impact/Consequence: There is reduced capacity in the LEP operational budget for 2022-2023 to meet the changes outlined in the letter noted above. This can impact on deliverability as well as through current workplans which would lead to current staff resources being spread too thinly, reducing impact and effectiveness in facilitating the delivery of the Strategic Economic Plan.</p>		
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The LEP continues to work closely with government and Combined Authorities to align with the integration pathways and timescales surrounding the integration • of the LEP Review • The LEP Network (national body) plays a key lobbying role with government 		
Next Steps		Lead Officer(s)
Continue to lobby and influence Government		Helen Golightly (Chief Executive)
Consider and respond to any future policy and funding programmes changes as they continue to emerge		Helen Golightly (Chief Executive)

<p><u>Government Capital and Revenue Funding</u></p> <p>Government capital and revenue funding to replace Local Growth Funding (LGF) (2015-2021) and European (ESIF) Funding (2014 – 2023) is insufficient to support the delivery of strategic regional capital and revenue projects within the SEP.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause:</p> <p>The October 2021, Autumn Budget and Spending Review provided some narrative regarding the UK Shared Prosperity Fund (UKSPF) and levelling Up Funding, however, there is no further detail about accessing the remainder of these funds at present.</p> <p>The Local Growth Fund (LGF) is now concluded however, some legacy LGF funds remains in place.</p> <p>There remains a significant risk that funding for strategic capital and revenue pipeline projects will not be available in the medium term and will not be at the level of previous years to equal the former LGF and ESIF funding programmes.</p>	
<p>Impact/Consequence:</p> <p>Without a clear understanding of the future funding landscape, the development and delivery of strategic regional projects to boost economic growth as outlined by the SEP are at risk of not being funded.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • The LEP is working with key government stakeholders and other partners to influence policy and funding thinking • The LEP is working with regional partners to develop a pipeline of strategic projects • The LEP has allocated an investment fund to accelerate the development of strategic projects to ensure they are 'oven ready' to access Government funding when / if it becomes available. 	
Next Steps	Lead Officer(s)
Continue to develop a pipeline of projects (where appropriate) to be ready to 'win' funding as it becomes available.	Helen Golightly (Chief Executive)
Continue to work with government and influence emerging policy thinking.	Helen Golightly (Chief Executive)

<p><u>North East Regional Governance</u></p> <p>The LEP area covers seven local authorities and two combined authorities, one of which is mayoral. The LEP area is unique in England to have more than one combined authority</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p>Cause: The North East Combined Authority’s (NECA) decision to proceed with the North of Tyne Mayoral Combined Authority led to the regional governance structures changing as two combined authorities were created in November 2018, both of which have agreed to support and operate effectively with the North East LEP. The LEP economic remit therefore spans both combined authority areas. One of the combined authorities should also act as the accountable body for the LEP. It was agreed that NTCA would be the North East LEP accountable body from 1 April 2020.</p>	
<p>Impact/Consequence: The governance, roles and responsibilities need to be clear at a local level and understood by national government to ensure effective strategy development, delivery of economic development activity, investment and partnership working.</p> <p>It is also vital that the change in accountable body must not be detrimental to the current effective operations or financial position of the LEP.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • All seven local authorities are committed to supporting the North East LEP and the delivery of the SEP as set out in their signed Deed of Cooperation which was reviewed and re-signed at the end of March 2020. • The Accountable Body Agreement was signed at the end of March 2020 and Service Level Agreements (SLA) are in place to support the delivery of LEP operations. • In both the new Accountable Body Agreement and Deed of Cooperation, changes made to support arrangements and financial model are to ensure no detrimental to the North East LEP. 	
Next Steps	Lead Officer(s)
Continue to work effectively with all seven local authorities and both combined authorities on shared agendas, strategy development and delivery.	Helen Golightly (Chief Executive)
Work with NTCA and SLA providers to ensure the North East LEP carries out its functions in an effective and compliant way.	Helen Golightly (Chief Executive)

<p><u>Covid-19 or any other epidemic / pandemic</u></p> <p>The lockdowns imposed as a result of the Covid-19 2020/21 in the UK had a significant impact on the regional economy and demonstrated that epidemics/pandemics pose a high risk to regional, national and global economies.</p>	<p><u>Risk Owner</u> Chief Executive</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – High Impact – Critical</p>
<p>Cause:</p> <p>Epidemics and pandemics are rare but can have catastrophic effect. They stem from a range of factors and have various levels of infection and mortality rates. The global dimension of our society and economy means that highly infectious diseases and viruses such as Covid-19 can spread quickly, and containment and other mitigation efforts are complex and require joined up efforts across the world or a group of countries.</p> <p>The lockdown measures essential to control the virus has forced businesses to close or operate in different ways and often to reduced capacity during the lock down period, having a dramatic negative impact on the economy.</p>	
<p>Impact/Consequence:</p> <p>Covid-19 has had a severe impact on the economy forcing a large number of businesses to stop trading or slow down their activities and leading to a significant volume of the workforce to be furloughed and/or made redundant. The UK and regions potentially face an economic downturn. In practical terms for the North East LEP, initially this meant a change of focus for the LEP as it responded to the immediate impact of the pandemic working with regional partners and Government. Now responding to the current economic position is the LEP's core business.</p>	
<p>Existing Controls:</p> <ul style="list-style-type: none"> • A North East Economic Response Group remains in place. This is now focusing on the next steps following the progress that has been made as we emerge from the pandemic. It is a regional partnership comprising of the North East LEP, North of Tyne and North East Combined Authorities, CBI representing businesses, VONNE, the TUC, the universities and transport colleagues. • The Group meets on a regular basis and is focussing on how we continue to emerge from the pandemic, with a focus on our economy and our regional priorities • Ongoing liaison with the LEP Network and NP11 partners • A full evidence and data exercise is now concluding which will inform the delivery plan for the next year 	
Next Steps	Lead Officer(s)
Continue to support and facilitate the Economic Response Group	Helen Golightly (Chief Executive)
Ensure continued alignment and co-ordination of key messaging and interventions	Helen Golightly (Chief Executive)
Complete the evidence and data review and translate the findings into the next phase of the SEP	Helen Golightly (Chief Executive)
Actively lobby government including through the LEP Network and NP11	Helen Golightly (Chief Executive)

North East Joint Transport Committee Strategic Risks (for information only)

*The North East JTC Strategic Risk Register has been prepared by NECA's risk management service
The register is presented regularly to the North East JTC Audit Committee.*

JTC Risks to Achievement of Strategic Objectives	Risk Priority	Direction of Travel
Carbon Neutral Transport Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and need for behavioural change</i>
Inequality and Growth of the Economy Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability users of public transport</i>
Health Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.	Amber 8	Static <i>Positive impact of Covid-19 on active travel counter balanced by possible negative impact of Covid-19 on future funding and need for behavioural change</i>
Appealing Sustainable Transport The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.	Red 12	Static <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability to users of public transport</i>
Safety and Security The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.	Amber 8	Static <i>Arrangements in place but possible negative impact of Covid-19 on future funding</i>
JTC Organisation Risks		
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 <i>Reduced opportunities for Non-mayoral Authorities</i>

<p>Funding Opportunities Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.</p>	<p>Amber 8</p>	<p>Static</p>
<p>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.</p>	<p>Amber 8</p>	<p>Static</p>
<p>Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.</p>	<p>Green 4</p>	<p>Static</p>
<p>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.</p>	<p>Amber 8</p>	<p>Static</p>
<p>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.</p>	<p>Amber 8</p>	<p>Static</p>
<p>Transport Infrastructure Assets Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.</p>	<p>Green 6</p>	<p>Static</p>
<p>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.</p>	<p>Green 6</p>	<p>Static</p>
<p>'Catastrophic Event' Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel)</p>	<p>Amber 8</p>	<p>Static</p>

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 E

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
Insignifi	<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 **5 July 2022**

Subject: 2021/22 Draft Annual Governance Statement

**Report of: Risk Advisor to North of Tyne Combined
Authority (NTCA)**

Report Summary

This report presents the outcome of the annual review of the Authority's governance and internal control arrangements and highlights one area for improvement identified by the review regarding the Authority's compliance with the CIPFA Financial Management Code.

Section 13 of the Annual Governance Statement (Governance and Internal Control Improvements) details the actions that will be undertaken during 2022/23 to ensure the Authority fully complies with the Code – The action plans have been updated since the Committee received a draft at its April 2022 meeting.

Audit and Standards Committee approved the draft 2021/22 Statement at its April 2022 meeting and there have been no significant weaknesses identified since its approval.

The Statement will be further considered as part of the audit of the Authority's financial statements before it is finalised and presented to Audit and Standards Committee together with the final Statement of Accounts at its September 2022 meeting.

The final 2021/22 Annual Governance Statement will be signed by the Mayor, Chief Executive, Chief Finance Officer and the Chair of Audit and Standards Committee before being published with the Authority's final accounts.

A copy of the draft 2021/22 Annual Governance Statement is provided at Appendix A.

Recommendations

The Audit and Standards Committee is recommended to:

1. Approve the draft NTCA 2021/22 AGS for consideration as part of the audit of the Authority's financial statements. (Appendix A)
2. Acknowledge that the 2021/22 AGS will be kept under review and amended as necessary should any weaknesses come to light before the Committee receive a final version at its September meeting together with the final Statement of Accounts.

1. Background Information, Proposals and Timetable for Implementation

1.1 The Combined 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 Chartered Institute of Public Finance and Accountancy (CIPFAs) publication “Delivering Good Governance in Local Government” (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against:

- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Defining outcomes in terms of sustainable economic social and environmental benefits
- Implementing good practices to transparency, reporting and audit to deliver effective accountability

2. Annual Governance Statement Assurance Framework– 2021/22

2.1 The approach to produce the 2021/22 AGS is based on a framework of assurance and in preparing it, it has been necessary to review evidence from the following sources. This approach complies with the 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 Auditor’s annual opinion
- Risk Management – Strategic risk reviews
- Performance Management – outcomes reported during 2021/22
- Views of the external auditor and other external inspectorates
- Key partnerships, including the voluntary, community and social enterprise organisations (VCSE)
- Nexus, through an assurance statement signed by Nexus’ Director of Finance and Resources
- North East Local Enterprise Partnership, through a partnership assurance statement, signed by the Chief Executive

3. Outcomes of the Review of Assurances

- 3.1 The NTCA 2021/22 AGS fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles highlighted in paragraph 1.2, to show how the Authority has adhered to its governance commitments as set out in the Constitution. The Statement includes hyperlinks to sources of further information detailed on the North of Tyne website, (for example the Authority's Corporate Plan, Freedom of Information Scheme and Annual Report), demonstrating how the Authority has implemented its commitments and complies with the governance standards and principles.

4. Governance and Internal Control Improvements – 2021/22

- 4.1 The Combined Authority must comply with the CIPFA Financial Management Code by 2022. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

During 2020/21, in preparation for the first full year of compliance with the Code, the Authority undertook a self-assessment which resulted in 4 areas identified as requiring improvement. The areas for improvement are disclosed within an action plan which is included at Section 13 of the AGS (Governance and internal control improvements) and has been updated since it was disclosed in last year's AGS. The action plan will continue to be monitored as part of the AGS review process during 2022/23.

- 4.2 Audit and Standards Committee fulfil an ongoing review, challenge and assurance role in relation to governance and internal control issues and will therefore receive a report during 2022/23 to allow the Committee to monitor the implementation of the actions to ensure the Authority is fully compliant with the CIPFA Financial Management Code.

5. Next Steps

- 5.1 The Statement will be considered as part of the audit of the Authority's financial statements before it is finalised and presented to Audit and Standards Committee together with the final Statement of Accounts at its September 2022 meeting.

6. Potential Impact on Objectives

- 6.1 No direct impact on objectives.

7. Key Risks

- 7.1 There are no specific risk implications directly arising from this report. The management of risks has been considered as part of the production of the Annual Governance Statement.

8. Financial and Other Resources Implications

- 8.1 This work to develop the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the Service Level Agreement.

9. Legal Implications

- 9.1 There are no direct legal implications arising from this report.

10. Equalities Implications

- 10.1 There are no direct equalities implications arising from this report.

11. Inclusive Economy Implications

11.1 There are no direct inclusive economy implications arising from this report.

12. Climate Change Implications

12.1 There are no direct climate change implications arising from this report.

13. Consultation and Engagement

13.1 The Chief Executive, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the draft 2021/22 AGS.

14. Appendices

14.1 Appendix A – Draft 2021/22 Annual Governance Statement

15. Background Papers

15.1 None

16. Contact Officers

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

E mail: philip.slater@newcastle.gov.uk

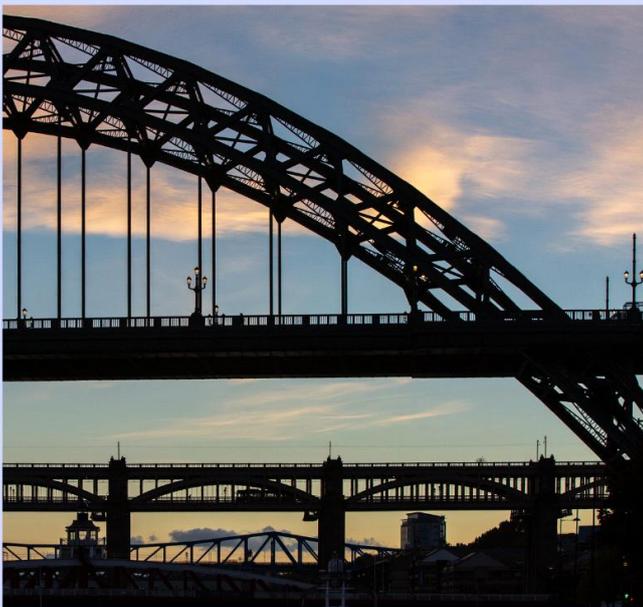
Tel: 0191 2116511

17. Glossary

17.1 None



ANNUAL GOVERNANCE STATEMENT 2021/22



**NORTH
OF TYNE**
~~~~~  
**COMBINED  
AUTHORITY**

## Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance and internal control arrangements operated during 2021/22, including how they are reviewed annually to ensure they remain effective.

## Section 2: Scope Of Responsibility

The North of Tyne Combined Authority (NTCA) is a cross-party, cross-region collaboration led by a Mayor and Cabinet to create a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

It was established on 2 November 2018 to deliver the devolution deal agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership (North East LEP) and Central Government. Devolution has given us the chance to make our own decisions about our own future - with a shift of power, funding and responsibility from central government to the region. It does not replace the three constituent councils, nor take away any of their statutory powers.

We work in partnership and create connections between our programmes and projects for the region. We target investment where we know we need it most and make connections between economic growth and providing the skills, education and confidence local people need to benefit. We work collaboratively with:

- The North East LEP to support delivery of the objectives of the regions Strategic Economic Plan. We are the accountable body of the North East LEP with all its funding decisions being held to account through NTCA.
- The North East Combined Authority to support the region, including transport. To oversee strategic transport functions a Joint Transport Committee has been established with members from both Combined Authorities.
- All seven Local Authorities, and other regional bodies on issues that relate to the wider region.

NTCA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority's Cabinet and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has developed a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register which is reported regularly at meetings of the Authority's Audit and Standards Committee. This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

### Section 3: Purpose Of The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Authority's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2022 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

### Section 4: The Governance Framework

The core principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information which include more detail about how NTCA has implemented its commitments.

#### Principles of Good Governance

- |                                                                                                                      |                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <b>E.</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| <b>B.</b> Ensuring openness and comprehensive stakeholder engagement                                                 | <b>F.</b> Managing risks and performance through robust internal control and strong public financial management      |
| <b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits                     | <b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |
| <b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes               |                                                                                                                      |

| <b>The Governance Framework</b>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                    |
| <b><i>The Authority's Commitment of Good Governance</i></b>                                                          | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b><i>Where you can see Governance in action</i></b>                                                                               |
| <p><b>Behaving with Integrity</b></p>                                                                                | <p>The 2022 budget and our medium-term financial plan for the period 2023-24/2025-26 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans are delivered within the financial resources available.</p> <p>A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.</p> | <p><a href="#">2022-2026 Budget Proposals</a> (Agenda item 11a – page 323)</p> <p><a href="#">Gifts and Hospitality Policy</a></p> |
| <p><b>Demonstrating Strong Commitment to Ethical Values</b></p>                                                      | <p>Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>The <a href="#">Constitution</a> is available on the NTCA website.</p>                                                          |

controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.

Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deal with issues of conduct and generally promote high standards among officers and members.

Our Freedom of Information Scheme is published on our website

We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public. Administration of the Authority’s policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 5.5 of our Constitution

The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.

Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value policies are in place and available on our Transparency page of our website.

We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.

Cabinet Rules of Procedure (“Standing Orders”) can be found at [part 3.1](#) of the Constitution

Codes of Conduct can be found at [Part 5.2](#) of the Constitution

[Freedom of Information Scheme](#)

[Whistleblowing Policy](#)

[Transparency Policies](#)

[Working Together: Our Corporate Plan 2022-2023](#) (page 3)

|                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                 |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| <p>Respecting the Rule of Law</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 62</p> | <p>NTCA has measures to address breaches of its legal and regulatory powers. The Authority’s Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration.</p> <p>We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.</p> <p>Scheme of Delegations - The proposed scheme identifies a number of officers as “designated officers” who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Chief Executive and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only).</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.</p> <p>The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.</p> | <p><a href="#">Constitution</a> 2.9 – Scheme of Delegations</p> |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|

## B. Ensuring openness and comprehensive stakeholder engagement

| <i>The Authority's Commitment to Good Governance</i>                                                        | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <i>Where you can see Governance in action</i>                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> <p>Page 63</p> | <p>We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region</p> <p>Our Annual Report ‘Getting Stuff Done in 2021’ sets out the Authority’s achievements and the work of the Mayor and Cabinet over the last year.</p> <p>The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on and which can also be subject to scrutiny by the Overview and Scrutiny Committee.</p> <p>Transport is of strategic importance to the North East and together with the North East Combined Authority a North East Joint Transport Committee has been established bringing together members from across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.</p> <p>The NTCA updated Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It</p> | <p><a href="#">Working Together: Our Corporate Plan 2022-2023</a> (page 3)</p> <p><a href="#">Getting stuff done in 2021- Annual Report</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 8</p> <p><a href="#">North East Joint Transport Committee</a></p> <p><a href="#">Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023</a></p> |

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|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                          | <p>highlights strengths, opportunities and challenges across our region and sets out the NTCA key priorities to ensure our residents have the skills to get a good job, progress in work and that employers have people with the right skills.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                   |
| <p>Engaging stakeholders effectively, including individual citizens and service users</p> <p>Page 64</p> | <p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information) - during the pandemic, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view. Cabinet meetings continue to be livestreamed.</p> <p>We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.</p> <p>In 2021 the Overview and Scrutiny Committee conducted a study group on co-production with three recommendations all accepted by Cabinet in July.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework for a new relationship between NTCA and the VCSE to deliver our shared vision of an inclusive economy.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Co-production at NTCA Scrutiny Report</a> – Agenda item 6</p> <p><a href="#">Freedom of Information Scheme</a></p> <p>VCSE <a href="#">Accord Agenda item 4</a><br/> <a href="#">VCSE Stakeholder Engagement Group Annual Report 2021/22</a> – page 19</p> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                             |
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|  | <p>We set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support. The website also signposts businesses to specialist sources of Brexit preparedness advice and support.</p> <p>We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.</p> <p>Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.</p> <p>We continue to work closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. The hyperlink to the mid-year update provides an update on provision for the period 1 August 2021 to 4 February 2022.</p> | <p><a href="#">Coronavirus webpage</a></p> <p><a href="#">Brexit Support webpage</a></p> <p><a href="#">Transparency Information</a></p> <p><a href="#">Devolved Adult Education Budget – mid year update</a> (Agenda item 6 – page 21)</p> |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

| <b><i>The Authority's Commitment to Good Governance</i></b> | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                           | <b><i>Where you can see Governance in action</i></b>                    |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Defining Outcomes                                           | Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region. | <a href="#">Working Together: Our Corporate Plan 2022-2023</a> (page 3) |

|                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                         |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                | <p>The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p><a href="#">Strategic Economic Plan</a></p> <p><a href="#">UK's Industrial Strategy.</a></p> <p><a href="#">Significant Partnership Register</a></p> |
| <p>Sustainable, Economic, Social and Environmental Benefits</p> <p>Page 66</p> | <p>To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change.</p> <p>NTCA have embedded our 'zero-carbon – zero poverty' approach; the Energy, Green Growth and Climate Change programme, improving the north bank of the Tyne, green crowdfunding and our Green New Deal which will create jobs, reduce emissions, and save money – it's the kind of innovation that's needed for local areas to become net-zero. Creating jobs need not cost the Earth.</p> <p>As part of the business planning process the Authority sets out how it will work towards its agreed equality objectives, with Equality Impact Assessments undertaken to ensure we consider the likely impact of our policies and plans on different groups of people to ensure they do not inadvertently disadvantage anyone.</p> | <p><a href="#">North of Tyne Citizens' Assembly on Climate Change</a></p>                                                                               |

Equality implications are considered in all our decision-making reports - with reporting templates prompting report authors to record the equality implications arising from their reports.

Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value.

NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the development of a Good Work Pledge, which enables employers to understand the key elements of 'Good Work', what they can do to achieve this for their employees and what support is available to help them get there.

The pledge covers over 35,500 employees who now have secure employment, a decent wage and proper representation and a ladder to boost skills to turn a job into a career.

The Adult Education Budget provision supports key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and plays a key role in NTCA's economic growth and reform agenda.

To support businesses during the Coronavirus pandemic we have made funding of £5m available with additional grant funding of around £1.5m to support businesses during the Coronavirus crisis.

[Social Value Policy](#)

[Newcastle college](#) receives good work pledge award

[Devolved Adult Education Budget mid-year update](#) – Agenda item 6

[Covid-19 Capacity Fund](#)

We have established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy.

Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA vision and supporting the area to become a national exemplar in inclusive growth

The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area.

A North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the Covid -19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions.

Crowdfund North of Tyne will fund projects to help communities - its aim is to bring people together, create or improve green spaces, improve mental health, inspire creativity and opportunity for all, or support social enterprise and co-operative development.

[Digital Inclusion Scheme](#)

[Inclusive Economy Board Annual Report 2021/22](#) – page 13

[Housing and Land Board Annual Report 2021/22](#) – page 15

[Children North East to lead on Poverty Truth Commission](#)

[Child Poverty Prevention Programme](#) – Agenda item 9

[Crowdfund North of Tyne](#)

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

| <b>The Authority's Commitment to Good Governance</b> | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Where you can see Governance in action</b>                                                                                                                                                                                                                  |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Determining Interventions</p>                     | <p>Cabinet approved its draft budget for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26 at its January 2022 meeting.</p> <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> | <p><a href="#">Cabinet Report (Agenda item 11a)</a></p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 8</p> |
| <p>Optimising Achievement of Intended Outcomes</p>   | <p>The strategic, crosscutting nature of much of the Authority's work means that delivery is often achieved through collaboration with NTCA partners and North of Tyne Council's. An example of this collaboration is in our Recover, redesign, reimagine plan which has been put forward to Government demonstrating our commitment to post-covid recovery and renewal.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p><a href="#">Recover, Redesign, Reimagine</a></p>                                                                                                                                                                                                            |

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

| <b>The Authority's Commitment to Good Governance</b>                                    | <b>How the Authority meets these principles</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Where you can see Governance in action</b>                                                                                                                                       |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Developing the Organisation's Capacity</p>                                           | <p>We have defined and documented in our Constitution the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p><a href="#">Part 2 Constitution – Responsibility for Functions - NTCA (northoftyne-ca.gov.uk)</a></p> <p><a href="#">Minutes Cabinet 8 June 2021 (northoftyne-ca.gov.uk)</a></p> |
| <p>Developing the Capability of the Organisation's Leadership and Other Individuals</p> | <p>We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.</p> <p>Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.</p> <p>During the Coronavirus pandemic national updates and latest Government guidance was regularly communicated to all our staff working remotely.</p> <p>Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health &amp; Safety Executive to ensure all our staff work safely at home.</p> |                                                                                                                                                                                     |

**F. Managing risks and performance through robust internal control and strong public financial management**

| <b><i>The Authority's Commitment to Good Governance</i></b> | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b><i>Where you can see Governance in action</i></b>                                        |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Managing Risk                                               | Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.                                                                                                                                                                                                                                                 | <a href="http://northoftyne-ca.gov.uk">Documents Archive - NTCA (northoftyne-ca.gov.uk)</a> |
| Managing Performance                                        | <p>Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.</p> <p>Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.</p>                                                                                                                                                                                                                                                              | <a href="http://northoftyne-ca.gov.uk">Documents Archive - NTCA (northoftyne-ca.gov.uk)</a> |
| Effective Overview and Scrutiny                             | <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> | <a href="#">Adoption of Cabinet-Scrutiny Protocol</a>                                       |

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                              |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
|                                | <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p><a href="#">Overview and Scrutiny Committee – Annual Report</a> – Agenda item 8</p>                                                       |
| <p>Robust Internal Control</p> | <p>An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority’s Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority’s internal auditors. The Chief Internal Auditor will provide an annual opinion for 2021/22 to support this Annual Governance Statement.</p> <p>A 2022/23 Strategic Audit Plan which was approved by Audit and Standards Committee April 2022, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2021/22 Audit Plan was reported to Audit and Standards Committee at its January 2022 meeting.</p> | <p><a href="#">Data Protection and Confidentiality Strategy</a></p> <p><a href="#">Internal Audit report April 2022 – Agenda item 4)</a></p> |

|                                    |                                                                                                                                                                                                                                                                                                                                                                                     |                                               |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Managing Data                      | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2022/23.</p> <p>The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.</p> | <a href="#">Freedom of Information Scheme</a> |
| Strong Public Financial Management | <p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2021/22 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>                                                                                                             |                                               |

| <b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b> |                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>The Authority's Commitment to Good Governance</i></b>                                                     | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                         | <b><i>Where you can see Governance in action</i></b>                                                                                                                                                                                                 |
| Implementing Good Practice in Transparency                                                                      | <p>Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>We publish details of delegated decisions on our website.</p> <p>We publish NTCA's £500+ spend monthly</p> | <p>Mayor's Facebook Page - Mayor's question time</p> <p><a href="#">delegated decisions on our website.</a></p> <p><a href="https://www.northoftyne-ca.gov.uk/transparency/finance/">https://www.northoftyne-ca.gov.uk/transparency/finance/</a></p> |

|                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                          |
|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <p>Implementing Good Practices in Reporting</p>              | <p>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities and Police 2018.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority’s Annual Report and Accounts</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p><a href="#">Review of Audit and Standards Committee Arrangements – April 2022</a> – Agenda item 7</p> |
| <p>Assurance and Effective Accountability</p> <p>Page 74</p> | <p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> <li>• Demonstrate that arrangements are in place to ensure accountable and transparent decision-making</li> <li>• Appraise projects and allocate funding; and</li> <li>• Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes</li> </ul> <p>The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.</p> <p>Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.</p> <p>The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.</p> |                                                                                                          |

|  |                                                                                                                                                                           |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily. |  |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

## Section 5: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by Officers and Members of Audit and Standards Committee who provide independence and challenge. The review is informed by:

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of Internal Audit.
- (c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- (d) The views of External Auditors..
- (e) The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code
- (f) Activity of the Audit and Standards Committee, including ethical governance
- (g) Partnerships, including the North East Joint Transport Committee
- (h) The Risk Management process, particularly the Strategic Risk Register
- (i) Performance information which is reported to Cabinet and other meetings on a regular basis.

## Section 6: North East Joint Transport Committee and North East Combined Authority

Regional transport is operated and governed by the North East Joint Transport Committee, bringing together the two Combined Authorities, which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered. The Committee receive regular updates on North East and Regional Transport Plans. The Committee also receive regular updates from the Managing Director, Transport North East, in respect of transport partnerships, including East Coast Mainline, HS2 and Northern Powerhouse Rail.

The Joint Transport Committee, Audit Committee is also a key component of the corporate governance arrangements and is an important source of assurance about the Joint Transport Committee's arrangements for managing risk, maintaining an effective control environment; and reporting on financial and performance matters.

The Joint Transport Committee also has an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Joint Transport Committee, its committees and Nexus, and to investigate matters of strategic importance to residents with a view to influencing and adding value to the decisions.

## Section 7: Investment Fund Programme & Brownfield Housing

### Investment Fund Programme

Delivery of the initial 5-year Investment Programme is in a strong position as we approach the first Gateway Review with Government. To date £82.9m is committed (exc. £10m top slice) against a wide range of projects and programmes supporting businesses, skills and capital infrastructure. Project delivery is well underway and we are seeing an increase in the reporting of actual outputs, including 819 new jobs and 1773 safeguarded.

Forecast cumulative expenditure for 2022/23 currently stands at c£50m (taking account of attrition). In addition, a healthy pipeline of high-quality projects is in place with further significant investments planned in the coming months. This includes establishing a £10m Equity Fund to support business growth, as well as further investments around green growth, digital, culture and creative, enabling innovation in businesses, as well as broader programmes of support to our residents and communities. The Covid-19 pandemic has had an impact on North of Tyne residents and our economy, in addition to the implications of Brexit and war in Ukraine. The Combined Authority continues to work closely with project sponsors to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impacts continue to be monitored.

An evaluation framework to capture our achievements and learning has been approved by the Mayor and the portfolio holder for Investment and Resources. The Combined Authority also commissioned SQW to undertake an external evaluation against national indicators, to support the upcoming gateway review in early 2023. The joint baseline and one-year-out report was received positively by Cabinet in February, evident throughout was the increasing strength of partnership working and capacity building across the area since NTCAs inception. Performance is reported monthly, outcomes are slightly ahead of forecasts in terms of the creation of new jobs and attracting private sector leverage. A bespoke programme management system, shared with the North East LEP, was launched in April 2021 across all NTCA programmes. The system was developed through an agile methodology with further functionality built over 2021/22. As a cloud-based system, this will improve the efficiency of managing and monitoring programmes across the Combined Authority and will streamline the interface with delivery organisations for claims and output reporting.

### Brownfield Housing

In July 2020, the Combined Authority secured £23.850m from Government's £400m national Brownfield Housing Fund. This was increased by a further £7.9m announced within the Levelling Up White Paper in February 22. The funding will be delivered over five years up to 31 March 2025, to support the development of at least 2000 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.

The Combined Authority has operationalised the programme at pace, working closely with Local Authorities to establish a pipeline of projects totalling £23.3m and legally committing £12.5m against 6 investments by March 2022. A further £21.1m of proposed projects is currently going through the assurance framework which will increase the pipeline to £44m.

### Levelling up

Government produced the Levelling up White Paper in February as a *"blueprint for spreading opportunity more equally across the country"*, with a focus on productivity, quality of life, place improvements and stronger leadership.

The White Paper itself was not accompanied by major funding announcements, although the NTCA will receive nearly £8m of additional Brownfield Housing Funding and a devolved Shared Prosperity Fund allocation – with the amount not yet known.

Instead, the main focus of the White Paper is to provide the strategic backdrop for, and influence, future Government funding and decision making - in areas ranging from skills and regeneration to digital infrastructure. It also advocates that more funding should be devolved in future. Government departments will be asked to set spatial objectives and numerical targets, while a new Levelling Up Advisory Council will be created to oversee progress.

## **Section 8: Adult Education Budget**

Devolution of Adult Education Budget (AEB) has provided an opportunity to make commissioning decisions on an area focused and forward-looking basis. NTCA's ambition is to improve the impact of AEB in the NTCA region and we will continue our approach to strategic relationship building and partnership working to develop localised, flexible, high-quality provision that responds to the needs of our residents and employers.

In August 2020 the NTCA took control of £23,144,967 devolved AEB for academic year (AY) 2020-21. An additional allocation of £959,064 for one year only was devolved in September 2020 to invest in High Value Courses (HVC) and Sector-based Work Academy Programmes (SWAP). £409,894 was also delegated to NTCA in April 2021 to deliver the Lifetime Skills Guarantee – Level 3 Adult Offer. Bringing the total AEB for AY 2020-21 to £24,513,925.

With Cabinet approval, 100% of the NTCA AEB funding was allocated during AY 2020-21. 67% was allocated through Grant Funding Agreements, 27% was allocated through procurement exercises which were open to all adult education training providers and 3% was invested in the costs associated with managing the budget.

For AY 2021-22 NTCA have received a devolved AEB of £23,551,493 plus an additional £1,641,588 for the delegated Level 3 Adult Offer. Bringing the total AEB for AY 2021-22 to £25,193,081. NTCA Grant fund 10 Provider's. 26 Contracts for Service are held with 22 Provider's. And there are 13 Provider's delivering the delegated Level 3 Adult Offer.

Through the Scheme of Delegation 93% of the AY 2021-22 budget has been allocated through extensions to Grant Funding Agreements and procured Contract for Services. The remaining funding is being allocated through mini-competitions and contract growth as new opportunities are identified throughout the year. All NTCA Providers have developed an AEB Delivery Plan which is monitored at quarterly performance management meetings throughout the year.

The AEB is a cornerstone of investment in the skills system and has a significant role in supporting our region's economic recovery from the COVID-19 pandemic. Led by the priorities outlined in the published NTCA Strategic Skills Plan, NTCA officers work closely with education providers, employers and stakeholders to ensure that a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local labour market needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

The devolution of the AEB has provided NTCA with the opportunity to implement additional flexibilities on the funding for the benefit of our residents and employers. NTCA implemented a number of new funding flexibilities during AY 2020-21 and AY 2021-22 in response to consultation with the AEB provider base and in response to the ongoing impact of the crisis on adult learning. All of the flexibilities have been co-designed to specifically address disadvantage and remove barriers to learning.

NTCA AEB providers have delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English, English for Speakers of Other Languages (ESOL) and digital skills plus full Level 2 and Level 3 vocational programmes required to access the labour market and/or progress in work.

Despite the ongoing restrictions and interruptions to learning caused by COVID-19, in AY 2020-21 the AEB funded over 25,000 enrolment opportunities and by the mid-year point in this current AY 2021-22, the AEB has already funded over 17,400 enrolment opportunities.

Key priorities set out in the NTCA Strategic Skills Plan include supporting residents of all ages, including those in work, to develop their skills to progress into better jobs and increase their earnings. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups. Analysis of NTCAs devolved AEB investment reveals that

- 72% of residents accessing devolved AEB reside in the top 20% deprived wards in our region (45% of in the top 10% deprived wards)
- 71% of AEB opportunities are being undertaken by unemployed residents
- 16% of AEB opportunities are being undertaken by young people (19-24)
- 58% of AEB enrolment opportunities are being undertaken by women
- 47% of enrolment opportunities are being undertaken by residents from our BAME community
- 72% of AEB enrolment opportunities are undertaken by residents with low or no qualifications
- 18% participating in provision self-declared a learning difficulty/disabilities

## **Section 9: Significant Weaknesses In Governance and Internal Control**

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2021/22.

## **Section 10: Governance and Internal Control Improvements**

The review also identifies activities that may need improvement, but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

## **Section 11: Conclusion**

We consider the governance and internal control environment operating during 2021/22, to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

The annual review has shown that the arrangements for 2021/22 are in place and operating as planned.

**Mayor of the North of Tyne Combined Authority**

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: Doug Ross**

**Signature:**

**Date:**

**Chief Executive**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**

**CIPFA Financial Management Code**

**Background Risk**

The Financial Management Code (FM Code) was an additional requirement in 2020/21 and is mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

In preparation for the first full year of compliance with the Code the Combined Authority undertook a self-assessment to ensure that it complied with the FM code in line with guidance issued by CIPFA and in a way that is appropriate and proportional to its own circumstances reflecting the structure, function and size of the Combined Authority.

The overall conclusion of each Financial Management Principle has been assigned a red, amber, or green rating in line with the scale of the improvements required for full compliance. A red rating indicates that significant improvements are required, an amber rating indicates that moderate improvements are required, and a green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each Principle are noted below:

- Leadership – Green
- Accountability – Green
- Transparency – Green
- Standards – Green
- Assurance – Green
- Sustainability – Green

The overall results from the self- assessment were green, however, the code requires any areas for improvement to be disclosed within an action plan. The self-assessment identified 4 areas for improvement, which once implemented will ensure the Combined Authority fully complies with the Financial Management Code.

**Accountable Officer: Chief Finance Officer**

**Action(s) required to enhance effectiveness**

**Implementation date**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <p><b>Assurance Principle</b> – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.</p> <p><i>This requirement relates to whether the Combined Authority has undertaken an independent, credible, and transparent financial resilience assessment. Unlike Local Government the Combined Authority has full control over the grant and funding programmes it has with more certainty around the financial envelope to plan with, and no risk associated with Demand Led Services as our constituent authorities have. The factors which should be considered as part of the financial resilience assessment, will include getting routine financial management right, planning and managing revenue and capital resources well and using performance information effectively. As no assessment has been carried out to date externally, this has been consequently assessed as Amber.</i></p> <p><b>Progress update:</b><br/>An annual external assessment is carried out by the External Auditor to ensure the Combined Authority is a going concern and has put proper arrangements in place to secure value for money. In addition, the first 5-year Government Gateway Review is due to be undertaken in 2022-23 to provide independent assurance of the Combined Authorities funding programmes have resulted in positive impact for the Region.</p> | March 2023   |
| <p><b>Standards Principle</b> – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p><i>Borrowing powers need to be secured to enhance the Combined Authority’s ability to achieve its ambitions. These powers may be secured during Q4 of 2021/22 (January – March 2022). At which time an appropriate Capital Investment Strategy will be laid before the Mayor and Cabinet for their consideration.</i></p> <p><b>Progress update:</b><br/>Confirmation received 28 March 2022 that the Minister had signed the Combined Authority (Borrowing Powers) Regulations 2022 on 22 March 2022. Chief Finance Officer will work on an appropriate Capital Investment Strategy including Minimum Revenue Provision (MRP) Policy to be laid before the Mayor and Cabinet for their consideration. The Capital Investment Strategy and MRP Policy will be taken alongside the Budget Proposals Report for 2023/24 to January 2023 Cabinet.</p>                                                                                                                                                                                                                                                                                                                                                                                                      | January 2023 |
| <p><b>Sustainability Principle</b> - Standard (E) The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</p> <p><i>The Authority has evolved as a new entity in its entirety. The nature of the funding sources and delivery mechanisms the Authority has to achieve the Ambition and the requirements of the devolved funding mean that the level of risk associated with Financial Sustainability traditionally associated with Local Government Tiers is not the same. A peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | March 2023   |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <ul style="list-style-type: none"> <li>• <i>The creation of an action plan for any areas of improvement.</i></li> <li>• <i>Review adequacy of financial management support.</i></li> </ul> <p><b>Progress update:</b><br/>Head of Paid Service and members of the Senior Management Team to take this action forward with consideration of engaging on a peer review with a fellow Mayoral Combined Authority.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                   |
| <p><b>Transparency Principle - Standard (M)</b> Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?</p> <p><i>The Combined Authority have an Assurance Framework for appraising all projects, in line with the HM Treasury Green Book recommendations - a review is currently ongoing to further strengthen the requirements for options appraisals and relate this to the Business Case Guidance.</i></p> <p><b>Progress update:</b><br/>A review of the Assurance Framework and Business Processes supporting the Assurance Framework is still ongoing with regular updates presented to NTCA Senior Management Team. Initiation phase almost complete.</p> | <p>March 2023</p> |

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Subject: External Audit Progress Report

Report of: Chief Finance Officer

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## Report Summary

The purpose of this report is for the External Auditors, Mazars, to provide to Audit and Standards Committee with an update on:

- the 2020/21 audit work;
- the 2021/22 planning process; and
- recent relevant reports and publications for information

## Recommendations

The Audit and Standards Committee is recommended to note the External Audit Progress Report attached as Appendix A.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 As required by International Standards on Auditing (UK), External Audit are required to provide an update on those matters that were marked as outstanding within an Audit Completion Report (ACR).
- 1.2 The 2020/21 ACR was presented to Audit and Standards Committee on 18 January 2022 and subsequently to Cabinet on 25 January 2022. A further Follow up Letter was presented to Audit and Standards Committee on 26 April 2022 which outlined a national issue in relation to Infrastructure assets which prevented the External Auditors giving the 2020/21 audit opinion.
- 1.3 The attached Progress Report provides an update on this issue and an update on the Whole of Government Accounts in relation to 2020/21.
- 1.4 The attached Progress Report provides an update on the approach to the 2021/22 audit planning process with an expectation of audit work to start in the late summer 2022.

### 2. Potential Impact on Objectives

- 2.1 The production and publication of an Audited Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations 2015 and as revised Account and Audit Regulations 2020/21.

### 3. Key Risks

- 3.1 The NTCA Statement of Accounts include a share of the assets and liabilities of the Joint Transport Committee. The issue outlined by the External Auditors in relation to infrastructure assets whilst not relevant to NTCA, as an entity, due to the incorporation of JTC in our accounts, NTCA accounts are impacted.

### 4. Financial and Other Resources Implications

- 4.1 There are no financial or other resource implications arising from this report.

**5. Legal Implications**

- 5.1 The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, extend the requirement for the draft accounts to be published by 31 July. This revised regulation will apply also to the 2021/22 accounts as it currently stands.

**6. Equalities Implications**

- 6.1 There are no equality and diversity implications arising from the recommendations in this report

**7. Inclusive Economy Implications**

- 7.1 There are no inclusive economy implications arising from the recommendations in this report.

**8. Climate Change Implications**

- 8.1 There are no climate change implications arising from the recommendations in this report.

**9. Consultation and Engagement**

- 9.1 Consultation will take place with the key personnel and interested parties involved in the Statement of Accounts.

**10. Appendices**

Appendix 1 External Audit Progress Report.

**11. Background Papers**

2020/21 Audit Completion Report

**12. Contact Officers**

Janice Gillespie, Chief Finance Officer [Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk)

Tel: 0191 6435701

# External Audit Progress Report

North of Tyne Combined Authority

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July 2022



1. Audit Progress
2. National publications

Page 88

# 01

## Section 01: **Audit Progress**

# Audit Progress

## Purpose of this report

This report provides the Committee with updates on:

- the 2020/21 audit work;
- the 2021/22 audit planning process; and
- recent relevant reports and publications for your information (Section 2).

## 2020/21 Audit

Members will recall that we presented our Audit Completion Report to the Audit and Standards Committee on 18 January 2022 and to the Cabinet on 25 January 2022. We then presented a Follow Up Letter to the Audit and Standards Committee on 26 April 2022 within which we outlined a national issue in relation to infrastructure assets which was preventing us from giving the 2020/21 audit opinion. Unfortunately, this issue is still ongoing and CIPFA have introduced an Urgent Task and Finish Group to resolve this issue.

We are yet to complete our work in respect of your value for money arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however, we continue to undertake work on NoTCA's arrangements. We are required to report our findings in this area within 3 months of the audit opinion date.

Finally, we are yet to receive group instructions from the National Audit Office to allow us to carry out work on the Whole of Government Accounts. The timescale for this now appears to have moved towards the summer of 2022.

All of the above has resulted in us being unable to give our certificate closing the 2020/21 audit.

# Audit Progress

## 2021/22 Audit

We will present our 2021/22 Audit Strategy Memorandum with the Committee at a future meeting. At this stage we do not expect any significant changes to the audit risk profile and the overall audit approach required under the NAO Code of Audit Practice, and we have not identified any significant changes to the financial reporting requirements under the 2021/22 CIPFA Accounting Code. The operating and financial environment continues though to be challenging and its important our audit plan is properly tailored to NoTCA's risks and issues.

We held our annual Local Government Accountant's workshops in February 2022, which were attended by members of the finance team.

We have continued to update our planning and our audit visit, including our normal system walkthroughs and audit of the financial statements, is planned for late Summer 2022. We will follow up any specific issues with management

We have not identified any specific significant concerns from the value for money risk assessment to date. The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is, as expected, an area where we expect at all bodies to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

# 02

Section 02:

## **National publications**

# National publications

|                                                                         | Publication/update                                                                          | Key points                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chartered Institute of Public Finance and Accountability (CIPFA)</b> |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 1.                                                                      | <b>Urgent Task and Finish Group – infrastructure, March 2022</b>                            | Technical accounting issue; until this national issue is resolved, audit firms are pausing issuing opinions which are outstanding for 2020/21.                                                                                                                                                                                                                                                                                                    |
| 2.                                                                      | <b>Local Authority Controlled Companies: a good practice guide, May 2022</b>                | A good practice guide published in May 2022; highlighted for potential interest to Committee Members, noting the full guide needs to be purchased.                                                                                                                                                                                                                                                                                                |
| <b>National Audit Office (NAO)</b>                                      |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3.                                                                      | <b>Investigation into government’s actions to combat waste crime in England, April 2022</b> | This investigation responds to concerns about government’s oversight of the waste industry and how action is taken to address illegal activity.                                                                                                                                                                                                                                                                                                   |
| <b>Public Sector Audit Appointments Limited (PSAA)</b>                  |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 4                                                                       | <b>Annual Quality Monitoring Report 2019/20, April 2022</b>                                 | This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA’s quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance.<br>The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard. |

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# NATIONAL PUBLICATIONS

## CIPFA

### 1. CIPFA Urgent Task and Finish Group – infrastructure, March 2022

CIPFA has established a task and finish group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. This is a complex and serious issue. The group will consider the issues arising, and how it might assist in their resolution. Such assistance might take the form of producing additional guidance on this issue or including clarifications in the accounting code.

CIPFA LASAAC has instead agreed in principle to issue a consultation paper on a temporary solution so that local authorities and auditors can progress the issue and to ensure that there are no unintended consequences emanating from any options pursued. A more in-depth consultation on the issue will follow as a part of the consultation on the 2023/24 code. The consultation on the temporary solution was issued in early May 2022.

Until this national issue is resolved, audit firms are pausing issuing opinions which are outstanding for 2020/21.

#### Description of the issue

The issue is a technical accounting one and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns raised by a local government auditor that some authorities are not applying component accounting requirements appropriately have recently come to light via audit network discussions convened by the National Audit Office.

The issue raised by auditors is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at an asset measurement described as 'current value'. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

<https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets>

# NATIONAL PUBLICATIONS

## CIPFA

### 2. CIPFA Local Authority Controlled Companies: a good practice guide, May 2022

In recent years, the potential risk associated with local authority trading companies and joint ventures has increased. Nothing is risk free, but it is important to learn lessons from others and access support.

<https://www.cipfa.org/policy-and-guidance/publications//local-authority-owned-companies-a-good-practice-guide>

# NATIONAL PUBLICATIONS

## National Audit Office

### 3. Investigation into government's actions to combat waste crime in England, April 2022

A range of organisations are involved in combatting waste crime in England. The Department for Environment, Food & Rural Affairs (Defra) has policy responsibility for waste, including waste crime, within government. The Environment Agency (the Agency) is responsible for investigating certain types of waste crime and taking action against the perpetrators, including illegal waste sites, illegal dumping (the most serious fly-tipping incidents) and breaches of environmental permits and exemptions. Responsibility for clearing waste ultimately sits with the landowner or land manager, including local authorities and other public bodies such as National Highways. Local authorities also have powers and duties relating to fly-tipping, and deal with the majority of smaller incidents. HM Revenue & Customs (HMRC) has responsibility for pursuing the evasion of landfill tax in England.

In 2018, the government published a range of documents setting the course for waste crime policy. The 25-Year Environment Plan set the ambition to eliminate waste crime and illegal waste sites within 25 years. The Resources and Waste Strategy reiterated that goal and set out government's approach and planned action to combat waste crime over the short to medium term. The 2021 Environment Act includes changes to elements of the law on waste enforcement and regulation

This investigation responds to concerns expressed by MPs about government's oversight of the waste industry and how action is taken to address illegal activity. Concerns related partly to a HMRC investigation into suspected systematic abuse of the landfill tax system referred to as Operation Nosedive, which cost more than £3 million but ended in plans to pursue prosecutions being abandoned.

While Defra and the Agency have a good understanding of the nature and complexity of waste crime, the Agency does not currently have the data it needs to identify and assess the full extent of all waste crime, which makes it difficult to prioritise its response effectively. The Agency acknowledges that the more it looks for incidents of non-compliance with waste regulations, the more waste crime it finds, and that for some types of waste crime the reported statistics understate the true extent. Available evidence indicates that the incidence and cost of dealing with waste crime across England is increasing. Landfill tax changes have, as intended, led to a reduction in landfill volumes but have also increased the financial incentives to commit waste crime. Barriers to operators entering the waste sector are low, and sanctions and prosecutions for committing waste crime may not be acting as effective deterrents.

**Reported fly-tipping incidents have been increasing over the past decade.** The number of fly-tipping incidents reported by local authorities has been broadly increasing since 2012/13, reaching more than 1.13 million incidents in 2020/21. In 2020/21: most fly-tipping incidents involved household waste; the most common place for fly-tipping to occur was on highways; and incidents equivalent in size to a 'small van load' were the commonest category. Local authorities reported that clearing the largest categories of fly-tipped waste cost them £11.6 million in 2020/21.

# NATIONAL PUBLICATIONS

## National Audit Office

### 3. Investigation into government's actions to combat waste crime in England, April 2022 (continued)

Local authorities make extensive use of fixed penalty notices against fly-tippers. Between 2014/15 and 2020/21, local authorities recorded seven million incidents of fly-tipping and investigated 31% (2.2 million) of these, although the proportion investigated fell from 35% to 28% over the period. Of nearly one million actions taken in response by local authorities, the most common were issuing a fixed penalty notice (43%) or a warning letter (39%). In contrast, only 2.4% resulted in a caution or prosecution. Nearly three-quarters of prosecutions led to a fine of £500 or less, but there were 10 fines of more than £20,000, 163 custodial sentences, and 1,494 vehicles were seized.

The goal of eliminating waste crime provides the Agency with a clear vision to inform its strategy and performance management. The introduction of the Resources and Waste Strategy in 2018 was an important step forward although it was not intended to include all the actions needed to eliminate waste crime. Government's progress with implementing the actions has been slower than it had hoped. However, the Joint Unit for Waste Crime is showing early signs of progress, and Defra has strengthened requirements for obtaining environmental permits and is planning further reforms. The government plans to review progress regularly and consider what further actions are needed, but it does not yet have appropriate performance indicators to support this.

<https://www.nao.org.uk/report/investigation-into-governments-actions-to-combat-waste-crime-in-england/#>

# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments Ltd

### 4. Annual Quality Monitoring Report 2019/20

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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