

North of Tyne Combined Authority, Audit and Standards Committee

24 January 2023

(10.03 - 11.15 am)

Meeting held: Committee Room 0.01, North Tyneside Council, Quadrant, The Silverlink
North, Cobalt Business Park, North Tyneside, NE27 0BY

Draft Minutes

Present:

Chair: D Willis OBE

Councillors: L Bowman, C Ferguson, C Gray, C Hardy, A McMullen, T Mulvenna and
J Shaw

9 WELCOME AND APOLOGIES

The new Chair introduced himself and welcomed everyone to the meeting. Brief
introductions were made.

Apologies for absence were received from Councillors Castle, Purvis, Seymour and
Sheraton. Councillors Bowman and Gray were attending as substitute members.

10 DECLARATIONS OF INTEREST

None.

11 APPOINTMENT OF VICE CHAIR FOR THE MUNICIPAL YEAR 2022-23

Councillor McMullen nominated Councillor Mulvenna as Vice Chair of the
Committee.

Councillor Gray seconded the nomination.

There being no other nominations received, it was **RESOLVED** that Councillor Mulvenna be appointed as Vice Chair for the remainder of the municipal year 2022/23.

12 **AGREEMENT OF THE MINUTES OF THE MEETING HELD ON 5 JULY 2022**

It was **RESOLVED** that the minutes of the meeting held on 5 July 2022 be agreed as an accurate record and were signed by the Chair.

13 **AGREEMENT OF THE NOTES OF THE MEETING HELD ON 15 NOVEMBER 2022**

It was **RESOLVED** that the notes of the meeting held on 15 November 2022 be agreed as an accurate record.

14 **DRAFT ANNUAL GOVERNANCE STATEMENT**

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

P Slater advised there were no significant changes to the document since July 2022 and that it would remain a 'live' document until the external auditor's opinion was included and the accounts were signed off.

It was **RESOLVED** that the NTCA Annual Governance Statement for inclusion in the Authority's 2021/22 annual accounts be approved and agreed to recommend for signature by the Mayor, Chief Executive, Chief Finance Officer and the Chair of Audit and Standards Committee.

15 **FINAL STATEMENT OF ACCOUNTS 2021/22 UPDATE**

Submitted: Report of Director of Finance (previously circulated and a copy attached to the official records) for the External Auditors, Mazars, to provide to Audit and Standards Committee the 2020/21 Value for Money (VFM) extract, Draft 2021/22 North of Tyne (NTCA) Audit Completion Report, and Draft 2021/22 Narrative Report and Audited Statement of Accounts.

K Laing, Strategic Finance Manager, introduced the report which provided committee with an update on the progress being made on the process to finalise NTCA's accounts for 2020/21 and 2021/22. The committee were reminded that the 2020/21 Value for Money (VFM) extract, Draft 2021/22 North of Tyne (NTCA) Audit Completion Report, and Draft 2021/22 Narrative Report and Audited Statement of Accounts could not be signed-off until the process to resolve the infrastructure issue was completed. In addition, the pension fund assurance letter was also required.

G Barker, External Auditors, Mazars, gave an update on the current position and explained government guidance had been published on 25 December 2022 that informed a process to resolve the infrastructure issue to sign-off the 2021/22 Final

Statement of Accounts and would complete the accounts for the 2020/21 financial year. Amendments would be involved within both financial years of accounts and would be addressed in year order. G Barker also advised the solution would provide a smoother process going forward and would work from 2022/23, for the next three financial years.

With reference to the draft commentary to the 2020/21 Value for Money (VFM) document, G Barker advised there were no significant weaknesses identified across the three areas of reporting criteria and there would not be any formal recommendations.

Regarding the pension fund issue, G Barker explained the pension fund assurance letter for the financial year 2021/22 was awaited from the audit of the Tyne & Wear Pension Fund, being audited by another firm. Audit processes were on going and no clear date had been given. G Barker suggested it could be up to the end of February 2023 before the assurance letter was received.

G Barker advised that the outstanding areas of work identified had been progressed since the drafted audit report was circulated to committee. The internal control recommendations were to be discussed further with officers. Members would receive an update on the final position of all current outstanding work when the follow-up letter was issued on the audit completion report at the point of the audit sign-off.

G Barker noted that Appendix C, the Draft 2021/22 North of Tyne (NTCA) Audit Completion Report was independent and therefore would not be impacted upon by the ongoing issues.

In response to questions from the Chair, G Barker confirmed:

- The infrastructure issue partly impacted more on Nexus/NECA than NTCA, however infrastructure was still a large figure within the NTCA statements.
- The VFM for 2022/23 had not yet been done.
- There were difficulties obtaining the pension fund letter which was needed to sign-off the accounts. It was not viewed that this was an indicator of anything untoward, rather it was pressure of work on auditors. The pension assurance letter was a formality and arrangements were in place to obtain the letter. It had not been an issue previously and was expected the matter would be resolved by the committee's next meeting.
- Audit capacity was a big issue. A lack of audit resource had contributed to the majority of the delays to signing-off the financial statement of accounts, combined with the increasing levels of work involved with pension audit work within the current climate. This was an issue nationally.

The Chair commented on the significant time delay and noted there could be further delays should the pension letter of assurance not be received by the end of February 2023.

In response to a member's query, G Barker clarified that the infrastructure issue was a technical accounting matter and was not the same as the pension fund issue. He also confirmed the two issues were not connected.

A member expressed concerns about the amount of outstanding work coupled with the capacity constraints explained by G Barker. Given the length of time involved to date and the accounts from the last two financial years outstanding, the member did not feel assured the process would be completed by the next meeting (the last meeting of the 2022/23 municipal year). The member also questioned the progress made since the document was published on a supplemental agenda last week.

G Barker fully appreciated the member's concerns and advised it had taken 10 months to receive government guidance to resolve the infrastructure issue, with the last piece received in January 2023. The infrastructure issue had also added a level of scrutiny to the audit process. He assured the committee every effort would be made in the next month to resolve the outstanding work.

The Chair acknowledged members concerns from the discussion about the current position and how to ensure the same problem would not happen in the future. A post-audit meeting would be held by the Chair with G Barker and officers to discuss lessons learned going forward and how they could prevent the same problems in the future.

It was **RESOLVED** that:

- i. The 2020/21 Value for Money (VFM) be noted.
- ii. The draft 2021/22 North of Tyne (NTCA) Audit Completion Report be noted.
- iii. The draft 2021/22 Narrative Report and Audited Statement of Accounts be noted.
- iv. Committee agreed to delegate authority to the Chair of Audit and Standards Committee in consultation with the Director of Finance to agree the Draft 2021/22 Statement of Accounts for approval by the Mayor and Cabinet, further to any subsequent changes following the finalisation of the external audit work which in the opinion of the Director of Finance are not so significant as to require reconsideration by the committee.

16 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

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

P Slater, Risk Advisor, presented the report, referencing paragraph 2.3 of the report which highlighted that the risk relating to devolution would need to be updated in the near future to assess if the impact of devolution were a risk or an opportunity.

It was noted by P Slater there were no major changes from a review of the risks and there had been a few updates from the previous meeting.

A member raised a query about the wider risks and implications associated to businesses accessing government funding following Britishvolt going into administration.

R Hamilton, NTCA Chief Economist, acknowledged conditions were attached to government funding but did not think the issues faced by Britishvolt could be extrapolated to other local businesses. He said the news about Britishvolt was a disappointment but was not unexpected. The site remained a good manufacturing site and he was confident in the short to medium term it would be utilised.

Responding to a question from the Chair, P Slater advised he considered Britishvolt an isolated incident and in terms of risk he would not change the current amber ratings for the combined authority. P Slater explained a toolkit was used to assess risk rating and assured committee that in his view the risk rating scores for the combined authority were accurate and would be kept under review.

Responding to a query from a member about how devolution is reflected on the risk register, P Slater advised following the government announcement in December 2022, the mechanics of devolution would need to be discussed and decided how it would be shown on the next paper.

R Hamilton acknowledged there were legal and financial complexities around establishing the new combined authority and that there was sufficient time to get those issues resolved. The new combined authority would have a positive impact longer term and provide greater resources for the region.

The Chair noted that the risk register would be expected to change substantially with the proposed new combined authority.

It was **RESOLVED** that the outcomes of the strategic risk review be accepted.

17 **INTERNAL AUDIT 2022/23 - QUARTERLY UPDATE REPORT & DEVELOPMENT OF STRATEGIC INTERNAL AUDIT PLAN 2023/24**

Submitted: Report of Interim Chief Internal Auditor (previously circulated and a copy attached to the official records) to outline the proposed approach to the Strategic Internal Audit Plan for 2023/24 and ensures that the Audit and Standards Committee is engaged in the assurance planning process. A full Internal Audit Plan will be presented at the Audit and Standards Committee meeting on 25 April 2023.

R Dunlop, Interim Chief Internal Auditor, introduced the report and confirmed the position with the audit work undertaken in 2021/22 and 2022/23 and were on plan to finish the internal audit plan by the end of the year. Preparation work was underway for the next financial year, noting the future changes with the proposed new combined authority, and involved discussions in the background with the senior management team.

In response to a member's query about discussing the performance management audit with senior management, R Dunlop described there was work in progress for a more hands-on consultancy arrangement for the performance management work, whereby they would be available for discussion and to provide recommendations.

This was expected to continue as work progressed towards the proposed new combined authority. M Oldham, Acting Group Assurance Manager, explained that following a meeting last week with the Director of Finance, it was agreed to change the business process changes audit from a traditional audit to a programme of assurance, that would challenge and take on the form of consultancy work. K Laing, the Strategic Finance Manager, added the importance of getting processes in place in preparation for the new devolution deal, and the increase in size of the proposed new combined authority.

It was **RESOLVED** that the report be accepted.

18 **STANDARDS UPDATE**

There were no issues or matters to report.

19 **DATE AND TIME OF NEXT MEETING**

25 April 2023, 10.00am at Newcastle Civic Centre

The Chair expressed to members the importance of regular attendance to ensure meetings were quorate and to understand the business of the committee.