



**North Tyneside Council**

# Audit Committee

Monday 22 May 2023

**Wednesday, 31 May 2023 0.02 Chamber – Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY commencing at 6.00 pm.**

## Agenda Item

Page

1. **Apologies for Absence**

To receive apologies for absence from the meeting.

2. **Appointment of Substitute Members**

To be notified of the appointment of any Substitute Members for the meeting.

3. **Declarations of Interests and Notification of any Dispensations Granted**

You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.

You are also invited to disclose any dispensations that have been granted to you in relation to any matters appearing on the agenda.

If you need us to do anything differently (reasonable adjustments) to help you access our services, including providing this information in another language or format, please contact [democraticsupport@northtyneside.gov.uk](mailto:democraticsupport@northtyneside.gov.uk).

You are also requested to complete the Declarations of Interest Card available at the meeting and return it to the Democratic Services Officer before the end of the meeting.

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|----|---|----------------|
| 4. | <b>Minutes</b>  | <b>7 – 16</b>  |
|    | To confirm the minutes of the meeting held on 22 March 2023.  |                |
| 5. | <b>Annual Statement of Accounts 2021-22</b>   | <b>17 – 22</b> |
|    | To give consideration to a report which provides an update in relation to the completion of the 2021-22 Audited Annual Statement of Accounts.                   |                |
| 6. | <b>Annual Statement of Accounts 2022-23</b>   | <b>23 – 30</b> |
|    | To give consideration to a report which provides an update on the closure of the 2022-23 Accounts.  |                |
| 7. | <b>Annual Governance Statement Update 2022-23</b>   | <b>31 – 74</b> |
|    | To give consideration to a report which provides the outcome of the review of the Authority's systems of control as set out in the Annual Governance Statement. |                |
| 8. | <b>Internal Audit Quality Assurance and Improvement Programme (QAIP)</b>  | <b>75 – 86</b> |
|    | To give consideration to a revised Quality Assurance and Improvement Programme for the Internal Audit Service   |                |
| 9. | <b>Exclusion Resolution</b>   |                |
|    | The Committee will be requested to pass the following resolution:   |                |
|    | Resolved that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as                                     |                |

defined in Part 2 of Schedule 12A of the Act the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

- |     |   |              |
|-----|---|--------------|
| 10. | <b>Corporate Risk Management Summary Report</b>   | 87 –<br>176  |
|     | To give consideration to a report which provides an update on the Authority’s management of its key corporate risks.  |              |
| 11. | <b>Counter Fraud Annual Report 2022–23</b>  | 177 –<br>200 |
|     | To give consideration to a report which provides an update on the Counter Fraud work undertaken in the financial year to 31 March 2023 and the savings resulting from the work carried out.                     |              |
| 12. | <b>Key Outcomes from Internal Audit work undertaken between November 2022 and May 2023</b>  | 201 –<br>232 |
|     | To give consideration to a report which provides an update on the key outcomes of Internal Audit’s work undertaken between November 2022 and May 2023.  |              |
| 13. | <b>Strategic Audit Plan 2022–23 – Final Monitoring Statement</b>  | 233 –<br>250 |
|     | To give consideration to a report which sets out the final monitoring statement in respect of the Strategic Audit Plan for 2022–23  |              |
| 14. | <b>2022–23 Opinion on the Framework of Governance, Risk Management and Control</b>  | 251 –<br>280 |
|     | To give consideration to a report which provides the Chief Internal Auditor’s annual opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control. |              |

Circulation overleaf ...

### **Members of the Audit Committee**

Malcolm Wilkinson (Chair)

Councillor Liam Bones

Councillor Louise Marshall

Councillor Tricia Neira

Councillor Andrew Spowart

Dr Stuart Green (Deputy Chair)

Councillor Debbie Cox

Councillor Tommy Mulvenna

Councillor John O'Shea

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## Audit Committee

**Wednesday, 22 March 2023**

Present: M Wilkinson (Chair)  
Dr S Green  
Councillors Mrs L Arkley OBE, G Bell, L Bell, D Cox,  
T Mulvenna and J O'Shea

### **AC/34/22 Appointment of Substitute Members**

There were no Substitute Members reported.

### **AC/35/22 Declarations of Interest and Notification of any Dispensations Granted**

There were no Declarations of Interest Reported.

### **AC/36/22 Minutes**

**Resolved** that the minutes of the meeting held on 16 November 2022 be confirmed as a correct record and be signed by the Chair.

### **AC/37/22 Review of Corporate Risks Allocated to Director of Resources**

Consideration was given to an update provided by the Director of Resources on the five risks within the corporate risk Register which had been allocated to him. It was explained that the assessment and management of the risk depended on the specific risk in question although as all the risks had been corporate in nature there had been a measure of commonality of approach to the management of the individual risk.

The Director had responsibility for the following risks:

- Information Governance;
- Health Safety and Wellbeing;
- Finance and Resources;
- Workforce/Succession Planning; and
- Rising Energy Costs

In respect of Information Governance, it was explained that the Authority took information governance very seriously and had robust policies and systems in place to ensure that sensitive data was protected. The Authority had a Senior Information Risk Officer and a Designated Data Protection Officer in place along with an Information Governance and Security Group at which each directorate was represented. In addition, appropriate IT security software had been installed and maintained on all Authority devices as part of the wider cyber security arrangements. All staff and elected members had been given training on information governance and what needed to be done in the event of a data breach.

In respect of Health, Safety and Wellbeing it was explained that a failure to ensure that safe working practices were in place could potentially result in loss or damage to the organisation, its employees or the public. The Authority had a strong set of health and safety policies, controls and practices in place which had been supported by suitably qualified Health and Safety professionals. Reference was made to the established programme of testing, refining and improving arrangements along with regular reports submitted to the Senior Leadership Team. It was explained that training in relation to Health and Safety was mandatory for all staff, with specialised training for those staff who required it.

In respect of the risks associated with Finance and Resources it was explained that significant historic reductions in core funding and the ongoing uncertainty in relation to funding beyond 2022/23 along with a patchwork of funding for health and social care and school funding had the potential for the Authority to be unable to plan to ensure that it remained financially stable. It was explained that a regime of regular budget monitoring had been carried out by the Committee, Cabinet and the Finance Sub Committee. In addition to the formal member involvement a range of internal meetings involving the Senior Leadership Team and Cabinet Members ensured further oversight of the budget monitoring process. It was also explained that the finance team had suitably qualified and experienced finance professionals who worked with regional and national



counterparts to ensure that the latest accounting standards and best practice had been adhered to and this had been supplemented by checks carried out by Internal and External Audit and reported to the Audit Committee.

Reference was made to the risks associated with workforce/succession planning and ensuring that they met the needs of the Authority. It was explained that there had been national shortages in relation to some areas of staffing in local government which had also affected the Authority. A key element of the approach to ensuring that teams were appropriately staffed had been the Authority's Workforce Plan which was in the process of being updated. A new approach to recruitment had been developed which looked at different approaches to attract and retain staff.

The final risk related to rising energy costs as a result of the volatile market conditions and the global increase in energy costs. It was explained that the Authority worked closely with other authorities to procure gas and electricity on a regional basis via the North East Purchasing Organisation. In addition the Authority had undertaken a range of activities to improve the energy efficiency of its buildings and assets. Support had also been provided to residents in relation to energy efficiency.

**Resolved** that the update be noted

## **AC/38/22     2021/22 Annual Financial Report**

Consideration was given to a report which provided an update on the progress made in relation to the completion of the 2021/22 Audited Annual Financial Report. It was explained that the draft audit results report had been presented to the committee at the November 2022 meeting (minute AC26/22 refers) and a number of outstanding items of audit work had been highlighted.

It was explained that the Authority's external auditors had not yet received the pensions assurances from the auditor of the Tyne and Wear Pension Fund in relation to the asset values in the accounts which had meant that they had been unable to complete their work on the Local Government Pension Scheme and had therefore been unable to provide a sign off of the accounts.

It was also explained that earlier in the year the Authority had been made aware of an issue in relation to the reporting of infrastructure assets. To address the issue the government had put in place a statutory accounting override which allowed local authorities to treat the value of replacement components of infrastructure assets as nil and removed the need for authorities to make prior period adjustments to infrastructure asset balances.

The 2021/22 Audit Results report had noted that there had not been any material errors on the financial statements although there had been a number of disclosure errors identified, the majority of which had been corrected and reflected in the Annual Financial Report. A revised Airport valuation had been received after the draft 2021/22 accounts had been published and the revised accounts reflected the new valuation.

Details of the Annual Financial Report had been presented for the Committee's consideration.

**Resolved** that (1) the audit's progress to date and the clearance of the majority of the items mentioned draft Audit Results Report be noted;  
(2) the Pensions Assurance Statement remaining outstanding be noted; and  
(3) due to the delay in receiving the Pensions Assurance Statement authority be delegated to the Director of Resources (Chief Financial Officer), in consultation with the Chair of the Audit Committee, to approve the 2021/22 Audited Financial Statement

#### **AC/39/22      Accounting Policies to be used in the Compilation of 2022-23 Annual Statement of Accounts**

Consideration was given to a report which set out the proposed Accounting Policies to be used in the completion of the 2022/23 Annual Statement of Accounts. It was explained that the purpose of the Accounting Policies had been to set out the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the Authority.

It was explained that a change had been made to increase the de minimis levels to £10,000 from the previous level of £1,000 to help meet the closedown deadline and to bring it into line with neighbouring authorities.

Reference was made to Infrastructure Assets in relation to highways and clarification sought as to when these had last been reviewed. It was explained that this was linked to national guidance but would be checked.

**Resolved** that (1) the Accounting Policies be endorsed and adopted by the Authority to be used for the compilation of the Authority's Annual Statement of Accounts for the financial year 1 April 2022 to 31 March 2023;  
(2) the Director of Resources arrange for the position in relation to the Highways Infrastructure Assets to be checked.

### **AC/40/22     Annual Statement of Accounts 2022-23**

Consideration was given to a report which provided an update on the closure of the 2022/23 accounts. It was explained that the Authority's Chief Finance Officer was required to sign and certify that the Statement of Accounts presented a true and fair view of the Authority's financial position for the year ended 31 March 2023 no later than the 31 May 2023 and for the audited set of accounts to be approved and published no later than 30 September 2023.

Details of the work which had been undertaken to ensure that the Authority was in a position to meet the above deadlines was outlined. It was explained that it was intended to be able to publish a draft Statement Accounts by 31 May 2023 subject to there being no unforeseen events occurring which impacted on this.

It was noted that group accounts would continue to be required for 2022/23 as the anticipated balance sheet value of the North Tyneside Trading Company would be material to the Authority's statutory accounts due to the Authority being the main equity holder in the company.

It was also explained that guidance had been issued to schools in relation to the closedown of the accounts.

**Resolved** that the work outlined in respect of the closure of the 2022/23 Accounts be noted.

## **AC/41/22      Proposed Audit Committee Work Programme 2023–24**

Consideration was given to a report which presented a proposed programme of core business to be considered by the Committee during 2023/24 in line with the Committee's terms of reference. It was suggested that the proposed work programme, set out below, would allow the Committee to discharge its duties effectively and contribute to the Authority's governance arrangements. It was noted that the work programme could be subject to change to take account of issues which may affect the governance of the Authority or matters which arose during the course of the year.

### **May 2023**

- Annual report from Chief Internal Auditor and opinion on the Framework of Governance, Risk Management and Control;
- Final Outturn Report;
- Key Outcomes from Internal Audit Reports;
- Risk Management update;
- Counter Fraud Annual Report;
- Draft Statement of Accounts 2022/23;
- External Audit Progress Report (if required).

### **July 2023**

- CIPFA Financial Management Code;
- Draft Annual Governance Statement.

### **September 2023**

- Final Statement of Accounts 2022/23;
- Annual Governance Statement;
- External Audit Results Report.

### **November 2023**

- Interim Outturn Report;
- Key Outcomes from Internal Audit Reports;
- Risk Management Update;
- External Audit Annual Report 2022/23.

### March 2023

- Strategic Audit Plan;
- Annual Audit Committee Work Programme;
- Annual Review of Audit Committee Effectiveness;
- Report on the Accounting Policies to be used in the compilation of the Annual Statement of Accounts;
- Report on the preparation of the Annual Statement of Accounts 2023/24;
- External Audit Planning Report 2023/24.

Clarification was sought in relation to the planned work in relation school accounts and it was explained that sufficient work was carried out to provide an appropriate level of reassurance to the Authority. Reference was also made in relation to the works carried out in respect of the processing of monies collected in respect of water rates in relation to the Housing Revenue Account.

**Resolved** that (1) the proposed core business work programme be agreed; (2) the need to change or adapt the reports to be considered to ensure optimum timing for governance issues or to respond to emerging trends be noted; and (3) it be noted that additional Ad-hoc reports may be presented to the Committee.

### AC/42/22      Review of Audit Committee Effectiveness

Consideration was given to a report which presented a self-assessment of the Audit Committee arrangements following the publication by the Chartered Institute of Public Finance and Accountancy (CIPFA) of revised good practice guidance in October 2022.

It was explained that the self-assessment had been undertaken during February and March 2023 and had built on the assessment carried out in 2021/22 and

demonstrated that in the main the Audit Committee arrangements reflected the good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The updated CIPFA guidance highlighted that some of the terms of reference of the Committee in relation to the approval of the annual statement of accounts and the Committee's annual report being presented to Cabinet rather than Council might need to receive further consideration

Reference was also made to the core knowledge and skills framework of the Members of the Committee. It was noted that as a collective there was a good level of knowledge and skills with no single area of weakness identified.

Reference was made to the need to continue to examine members future training requirements.

**Resolved** that (1) the self-assessment of the Audit Committee arrangements be endorsed;

(2) that changes to the Audit Committee's Terms of Reference to reflect the latest CIPFA guidance may be considered as part of the regular revision of the Authority's Constitution;

(3) the updated self-assessment form the basis of the Annual Report of the Committee to Cabinet.

#### **AC/43/22      Update on North East Audit Committee Chairs Forum**

Consideration was given to a report which provided an update on the work of the regional Audit Committee Chair's Forum administered by the Authority.

It was explained that the latest meeting, held on 1 March 2023, had been hosted by Northumberland County Council and had included a topical update from the Local Government Association (LGA), an Audit Committee Best Practice, Ideas and Reflections presentation by ThinkingAudit and a cyber security presentation by Deloitte.

Clarification was sought on whether there were plans for the Forum to be expanded to include Audit Committee members. It was explained that the funding had been specifically provided by the LGA for in relation to the Chairs of Audit Committees to meet.

**Resolved** that the report be noted

**AC/44/22      Exclusion Resolution**

**Resolved** that under Section 100A of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

**AC/45/22      Strategic Audit Plan 2023–24**

Consideration was given to a report which set out the Strategic Audit Plan for 2023/24. It was explained that the Plan helped to ensure that Internal Audit fulfilled its objectives and was able to provide an independent and objective opinion on the Authority's framework of governance, risk management and control. The Plan also set out Internal Audit's medium term objectives and had been developed in consultation with the Chief Executive and Directors of the Authority.

Officers responded to a series of Members' questions on the contents of the report.

**Resolved** that the Strategic Audit Plan and the proposed internal audit coverage be approved.

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## North Tyneside Council Report to Audit Committee Date: 31 May 2023

### ITEM

Title: Annual Statement  
of Accounts 2021/22

Report from: Finance

Responsible Officer: Jon Ritchie, Director of Resources Tel: 643 5701

Wards affected: All

### PART 1

#### 1.1 Executive summary:

- 1.1.1 The purpose of this report is to provide the Audit Committee with an update on the progress for the completion of the 2021/22 Audited Annual Statement of Accounts in accordance with Section 9 (2) of the Accounts and Audit Regulations.
- 1.1.2 The draft Audit Results Report was shared with the Committee at its meeting held on 22 March 2023. The Executive Summary listed the outstanding items of audit work that still needed to be completed and it was noted at the meeting that the majority of the audit work had been completed or resolved by the time of the meeting. The only outstanding item was the receipt of the Pension Assurance Statement from the Tyne and Wear Pension Fund.
- 1.1.3 EY has confirmed that this has now been received from the Pension Fund, however due to the continued delay in the audit opinion being issued, further work is now required on the valuation of the pension fund. This report sets out the implications of the pension valuation on the Authority's accounts.
- 1.1.4 In addition, this report also highlights one further area that has arisen in respect of the 2021/22 Annual Statement of Accounts, the treatment of the Dedicated Schools Grant (DSG) reserve.

#### 1.2 Recommendation(s):

The Audit Committee is recommended to:

- (a) Note the progress to date of the audit and the clearance of the vast majority of items mentioned in the draft Audit Results Report and the receipt of the Pension Assurance Statement;

- (b) Note the revised timescale for publication of the Audited Annual Statement of Accounts 2021/22 to mid-June 2023; and
- (c) Note that at the Committee's meeting held on 22 March 2023 delegation for the approval of the Audited Annual Statement of Accounts 2021/22 was given to the Director of Resources (Chief Finance Officer) in consultation with the Chair of the Audit Committee.

### **1.3 Forward plan:**

- 1.3.1 This report is contained in the forward plan of the Audit Committee.

### **1.4 Council plan, policy framework:**

- 1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

### **1.5 Information**

#### **1.5.1 Background**

It is a requirement of Section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its audited Annual Statement of Accounts 2021/22 for the financial year.

The requirements and timeline for the approval of a local authority's Annual Statement of Accounts are set out in the Accounts and Audit Regulations 2015. However, due to the impact of the COVID-19 pandemic the Ministry of Housing, Communities and Local Government (MHCLG) put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) regulations 2021 extended the statutory audit deadlines for 2021/22 for all local authorities. The publication date for audited accounts moved from 31 July to 30 November 2022 for all local authority bodies.

The Committee will recall there have been two external factors that have led to the delay to approval and publication of the Authority's 2021/22 Annual Statement of Accounts. The were two main issues being:-

- National issue in relation to the reporting on infrastructure assets; and
- The audit delay of the Tyne and Wear Pension fund.

These were highlighted to the Committee at its meetings on 16 November and 22 March. The national issue relating to reporting on infrastructure assets was resolved following the Government issuing a statutory accounting override in January 2023. The Pension Fund Assurance Statement was received by the Authority's external auditors in April. The impact of this and the implications for the Authority are described in section 1.5.2 below.

### 1.5.2 Pension asset and liability valuation

The Authority's external auditors have now received the IAS19 (pensions) assurances from the auditor of the Tyne and Wear Pension Fund over the asset values reported in the accounts. However, as a consequence of the delay in the audit process, in line with a nationally agreed approach by external audit firms, the Authority has requested and received a high level report from the actuary which shows that the pension liability has decreased by £63.21m to (£332.77m). As the variation is material to the accounts, a full actuarial report has been requested from the actuary, which is expected to be received on Friday 19 May. When the report is received the 2021/22 accounts will have to be updated to reflect this change. This work will commence week beginning Monday 22 May with the aim of finishing no later than Friday 26 May. This lead in time is required as the following statements will need to change as a result of the revised pension valuation and a full review of the accounts will be required to ensure that all statements are correct:

- Comprehensive Income & Expenditure Statement (CI&ES)
- Movement In Reserves Statement (MIRS)
- Balance Sheet
- Cashflow Statement
- Note 3 Adjustments between Accounting Basis and Funding Basis Under Regulations
- Note 9 Pensions
- Note 11 Financing and Investment Income & Expenditure
- Note 31 Useable Reserves – Pensions

In turn the Authority's external auditors will have to review the above statements and sign-off the changes. This work is expected to commence week beginning Monday 5 June.

### Dedicated Schools Grant Reserve (DSG)

- 1.5.3 Following a review of the 2021/22 accounts management have identified that the DSG reserve needs to be shown as an unuseable reserve and named 'Dedicated Schools Grant Adjustment Account'. This change is in line with CIPFA guidance and has been introduced to separate out DSG deficits from the General Fund. The DSG deficit at the close of 2021/22 is £12.851m and is currently shown within Useable Reserves. This will transfer to Unuseable Reserves, there is no bottom line impact and total reserves for the Authority will remain at (£224.656m). However, total Useable Reserves will increase to (£151.985m), previously (£138.958m) and total Unuseable Reserves will change to (£72.671m), previously (£85.522m). As with the pension change this will be subject to external audit review.

### Summary

- 1.5.4 It is expected that the 2021/22 accounts will be ready for sign-off in mid-June by external audit and the Authority.

## 1.6 **Decision options:**

The options available are:

- (a) To accept the recommendations made in section 1.2.; or
- (b) To reject the recommendations made within this report.

#### **1.7 Reasons for recommended option:**

The production of an Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015.

#### **1.8 Contact officers:**

Jon Ritchie, Director of Resources, Tel 643 5701  
Claire Emmerson, Head of Finance (Deputy S151 Officer), Tel 643 8109  
Peter Weir, Principal Accountant, Tel 643 8066

#### **1.9 Background information:**

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015 can be inspected at the Authority's offices.
- (b) Revenue budget 2021/22  
<https://my.northtyneside.gov.uk/category/455/council-finances>
- (c) Investment Plan 2021-26  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix D)
- (d) Reserves and Balances Policy  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=597&Ver=4> (Agenda reports pack - Appendix G)
- (e) CIPFA Code of Practice 2021/22  
Can be inspected at the Authority's offices.
- (f) Outturn Report 2021/22  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=815&Ver=4>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

As this is a financial report, implications are covered in the body of the report itself.

## **2.2 Legal**

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its audited accounts for the financial year 2021/22 by 30 November 2022.

## **2.3 Consultation/community engagement**

In line with statutory requirements the draft Annual Statement of Accounts for the year ended 31 March 2022 was published by 4 July 2022 and was available on the Authority's website.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 11 July to 19 August 2022.

## **2.4 Human rights**

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

## **2.5 Equalities and diversity**

There are no direct equalities and diversity implications arising from this report.

## **2.6 Risk management**

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

## **2.7 Crime and disorder**

There are no direct crime and disorder implications arising from this report.

## **2.8 Environment and sustainability**

There are no direct environmental and sustainability implications arising from this report.

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## ITEM

**Title: Annual Statement of Accounts 2022/23**

# North Tyneside Council Report to Audit Committee Date: 31 May 2023

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**Report from:** Finance

**Report Author:** Jon Ritchie, Director of Resources

**Tel:** 643 5701

**Wards affected:** All

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## PART 1

### 1.1 Executive Summary:

- 1.1.1 The purpose of this report is to provide the Audit Committee with an update in respect of the closure of the 2022/23 accounts.

### 1.2 Recommendation(s):

- 1.2.1 It is recommended that the:

(a) Audit Committee note the work outlined in respect of the closure of the 2022/23 accounts.

### 1.3 Forward plan:

- 1.3.1 This report is contained in the forward plan of the Audit Committee.

### 1.4 Council plan, policy framework:

- 1.4.1 The Annual Statement of Accounts covers all the service responsibilities as identified within the Council Plan.

### 1.5 Information:

- 1.5.1 The Chief Finance Officer is required, no later than 30 September 2023, to sign and certify that the Annual Statement of Accounts presents a true and fair view of the Authority's financial position for the year ended 31 March 2023. For 2022/23 a set of draft accounts has to be produced by the end of May which is then subject to external audit. The audited set of accounts is required, no later than 30 September 2023, to be approved and subsequently published.

## Update on the preparation of the Annual Statement of Accounts 2022/23

- 1.5.2 The Committee will recall that in the 22 March 2023 report on the preparation of the accounts for 2022/23, the Authority was working towards a deadline of the 31 May for a draft set of accounts to be available. However, at the time of writing this report, the Accounts are not ready to be published due to external factors, set out in the paragraph below. However, work is continuing to achieve the statutory deadline of 31 May and a verbal update on progress will be given at the meeting. The draft Annual Statement of Accounts will be brought to the next Audit Committee in July.
- 1.5.3 The Committee will be aware from other reports on the agenda that the 2021/22 accounts are being updated to reflect the revised pension valuation from the actuary. In summary, this is necessary due to the delay in the audit opinion being issued arising from the national issue regarding the treatment of infrastructure assets. The actuarial information is expected to be received on Friday 19 May. In turn, the requirement to seek a revised actuarial report has meant that the 2022/23 pension report will also be delayed and will now not be available until Friday 26 May.

The valuation results for 2022/23 will have to be reflected in the accounts, including changes to a number of statements and notes, which will be updated in the week commencing Monday 29 May. A full review of the accounts will then be undertaken to ensure that the pension information is correctly presented in the draft accounts, with publication of the draft statements by 31 May if possible. The Committee may be interested to note that the majority of neighbouring authorities are in the same position.

- 1.5.4 The Committee will be aware that the statutory deadline for the audit and publication of the 2022/23 accounts is 30 September 2023. The Authority's external auditors have advised that the audit is not expected to conclude until November/ December 2023. Due to this, the Authority will not be able to meet the statutory deadline.

The Department for Levelling Up, Housing & Communities (DLUHC) wrote to all Chief Executives, Chief Finance Officers and Local Audit Firm Partners on 14 March 2023 concerning delays in the completion of local authority audits, a copy of the letter is attached as Appendix A. The Department is continuing to work with all stakeholders across the sector to ensure a system wide approach to reducing the continued delays to local audits.

The Authority will have its accounts available by 31 May or very shortly after and the delay in publication by the September deadline will be a result of audit delays due to the backlog of audits. The Authority will continue to work with external audit to minimise the impact, but due to external factors beyond the Authority's control, the Committee should note the current position.



## **1.6 Decision options:**

- 1.6.1 The Audit Committee can agree to endorse the recommendations as set out in Section 1.2 of this report. Alternatively, the Audit Committee can decline to endorse the proposals and require further details and amendment.

## **1.7 Reasons for recommended option:**

- 1.7.1 The Audit Committee is recommended to endorse the proposals set out in section 1.2 of this report as the production of the Audited Annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

## **1.8 Appendices:**

Appendix A: DLUHC – Letter to Chief Executives, Chief Finance Officers and Local Audit Firm Partners – Local Audit Delays

## **1.9 Contact officers:**

Jon Ritchie, Director of Resources, Tel 643 5701  
Claire Emmerson, Head of Finance (Deputy S151 Officer), Tel 643 8109  
David Mason, Senior Manager Capital Strategy and Planning, Tel 643 3293  
Peter Weir – Principal Accountant – Tel 643 8066

## **1.10 Background information:**

- 1.10.1 The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

- 2.1.1 There are no financial implications as a result of the recommendations within this report.

### **2.2 Legal**

- 2.2.1 The Authority has a duty to ensure that it produces a draft Annual Statement of Accounts by 31 May 2023 in accordance with the Accounts and Audit (Amendment) Regulations 2021.

## **2.3 Consultation/community engagement**

- 2.3.1 Consultation will take place with the key personnel and interested parties involved in the closedown process.

## **2.4 Human rights**

- 2.4.1 There are no Human Rights implications as a result of the recommendations in this report.

## **2.5 Equalities and diversity**

- 2.5.1 There are no Equalities and Diversity implications as a result of the recommendations in this report.

## **2.6 Risk management**

- 2.6.1 A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks are part of the overall process.

## **2.7 Crime and disorder**

- 2.7.1 There are no crime and disorder implications as a result of the recommendations in this report.

## **2.8 Environment and sustainability**

- 2.8.1 There are no environment and sustainability implications as a result of the recommendations in this report.



Department for Levelling Up,  
Housing & Communities

**Catherine Frances**  
Director General, Local Government,  
Resilience and Communities  
**Department for Levelling Up, Housing  
and Communities**

2 Marsham Street  
London SW1P 4DF

To: Local Authority Chief Executives and  
Chief Financial Officers in England and  
Local Audit Firm Partners

14 March 2023

Dear Chief Executive / Chief Financial Officer / Local Audit Firm Partners

For 2020/21 only 12% of local government bodies audited accounts were published by the 30 November deadline. These delays affect the assurances that can be given to taxpayers and elected representatives; and impact on authorities' ability to plan and manage their services and finances effectively. This is a multifaceted and complex problem that requires all actors in the local audit system to play their part. Securing the capacity required for the next contracting period through the most recent procurement led by PSAA is reassuring and has resulted in two new entrants into the market; and there have been several technical solutions that have been put in place to reduce the burdens on auditors and local authorities so that auditors can focus on the backlogs. This letter is to update you on DLUHC's continued work to respond to Sir Tony Redmond's *Local Authority Financial Reporting and external audit: independent review* (the Redmond Review) and to reaffirm the Department's continued resolve to work with you and others across the sector to ensure a system wide approach to reducing the continued delays to local audit.

### Local Audit System Leadership

First, I am pleased to let you know that we have recently published a Memorandum of Understanding (MoU) between DLUHC and the Financial Reporting Council (FRC), setting out the roles and responsibilities the FRC will assume as shadow system leader for local audit. A copy of the MoU can be found on the website of the Local Audit Liaison Committee [here](#).

The Redmond Review identified that the fragmented nature of the local audit system limited the ability of the system to respond to emerging challenges. DLUHC's vision for local audit focuses on the need for a system leader to enhance coordination and collaboration amongst stakeholders and establish clear accountability for the functioning of the system. The role of a system leader for local audit will therefore be vital to drive through the reforms necessary for a sustainable, effective local audit system.

The FRC appointed Neil Harris as Director of Local Audit in September 2022 and Neil has established a new local audit unit to spearhead the FRC's new role. We expect full shadow arrangements to start in the coming months, at which point the Department will issue a Remit Letter setting out our policy priorities. The shadow period will continue until the Audit, Reporting and Governance Authority (ARGA) is established through legislation.

## Local Audit Delays

The recent National Audit Office's report (*Progress update: Timeliness of local auditor reporting on local government in England*) set out that the backlog of audit opinions remains considerable and pervasive and that the reasons for this are multifaceted. Addressing the existing backlog, alongside embedding sustainable, long-term culture change on timely and high-quality financial reporting and audit will be a key focus for the FRC in its new role.

We and the FRC will continue to engage all parts of the system to determine if further measures are needed in addition to activity underway as set out in our December 2021 publication *Measures to Improve Local Audit Delays*. For example, as you will be aware, the Government acted at the end of last year to lay a Statutory Instrument to provide a temporary solution to the issue concerning the audit of local authority infrastructure assets. These regulations are now in force and I would like to take this opportunity to stress that authorities affected by the issue should seek to close outstanding accounts as soon as possible.

Chief Executive Officers, Chief Financial Officers and your finance teams are critical to delivering high-quality financial reporting in the public interest. As you will be aware, this includes complying with the Chartered Institute of Public Finance and Accountancy's (CIPFA) financial reporting framework, professional accounting standards, being accountable with appropriate expert support for critical accounting judgements, estimates and ensuring through robust internal quality assurance that sufficient and appropriate evidence exists to support the primary statements and disclosure notes ahead of audit. This should involve submitting the annual auditor's report to the Audit Committee and then Full Council, accompanied by the response recommended by the audit committee to any significant issues raised in the report. It is also incumbent upon the Chief Financial Officer to report to the Chief Executive, Audit Committee and others if there are any concerns on the capacity, capability and ability to deliver high-quality draft financial statements by the statutory deadline.

Within audit firms, auditors and the Key Audit Partner also have a fundamental role in safeguarding high quality audits but also setting out to the Chief Executive, CFO and Audit Committee a realistic project and delivery plan for delayed audits and the critical dependencies. For example, this may involve (but is not limited to) obtaining sufficient and appropriate evidence from management on critical judgements, or securing the appropriate mix of skilled and specialist audit resource. Key Audit Partners also have a critical role to report as soon as practicable where they have identified any significant concerns and/or risks of significant weaknesses in Value for Money arrangements and what action should be taken by management, Audit Committee and full Council. It is just as important for this to happen if the delays are associated with concerns on the Local Authorities' financial reporting systems, process, capacity and capability.

The Department and FRC are now actively reviewing where lengthy backlogs of audits exist from both an auditor and local authority perspective. It is evident that in some cases an audit has not been completed in several years and this is clearly not in the interests of the council or the taxpayers. We expect audit firms and Local Authorities to work together to resolve this and I urge you to make every effort to collaboratively consider where historic issues are compounding delays unnecessarily and, where they are, to put in place an action plan and timetable to ensure these are swiftly resolved. I would also ask that, if you have not already done so, Local Authority CEOs and CFOs, and your respective audit partners each provide the Audit Committee with a written position statement. This should set out the outstanding matters, the impact this position could have on the audit opinion(s) and any reporting under statutory audit powers, the actions and timetable to resolve these from a local authority and auditor perspective, as well as a judgement from each of you on how realistic and achievable this is. This should be done as early as possible and would enable the Audit Committee to exercise its role to determine whether it has sufficient assurance on the action plans and if not

what additional information and explanations it requires to make a decision that balances a realistic and swift timetable for authorising the historic audited financial statements for issue. You should also consider whether this statement should also be submitted to full council.

It is clear that ensuring system wide timely delivery of local audits will require a continued, concerted effort from everyone across the system and I welcome your joint support in this undertaking.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C Frances', with a small dot at the end.

**CATHERINE FRANCES**

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## North Tyneside Council Report to Audit Committee Date: 31 May 2023

### ITEM

Title: Annual Governance  
Statement Update  
2022/23

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Report from Service: Finance

Report Author: Jon Ritchie, Director of Resources (Tel: 0191 643 5701)

Wards affected: All

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### PART 1

#### 1.1 Purpose:

- 1.1.1 The Annual Governance Statement (AGS) explains how the Authority delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 6(1)(a) of the Accounts & Audit Regulations 2015 which require the Authority to publish an AGS.
- 1.1.2 The purpose of this report is to advise the Audit Committee of the outcome of the review of the Authority's system of internal control as presented in the AGS (Appendix A). The review will assist the Audit Committee in considering the effectiveness of the Authority's arrangements for the governance of its affairs, including arrangements for management of risks and systems for internal control.

#### 1.2 Recommendation(s):

- 1.2.1 It is recommended that the:
  - (a) Audit Committee note the outcome of the review of the Authority's system of internal control;
  - (b) Audit Committee consider the draft AGS and approve that it accompanies the draft Statement of Accounts for 2022/23; and

- (c) Audit Committee note the actions proposed in the AGS relating to any governance issues identified and make suggestions about including additional items if considered necessary.

### **1.3 Forward plan:**

- 1.3.1 This report is included within the annual workplan for the Audit Committee.

### **1.4 Council plan and policy framework:**

- 1.4.1 The AGS covers all the service responsibilities as identified within the Council Plan.

### **1.5 Information:**

- 1.5.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires audited bodies to conduct a review at least once a year of the effectiveness of its internal controls and produce an AGS. Good governance is fundamental to the proper running of the Authority. It enables an authority to pursue its vision effectively as well as underpinning that vision with control and management of risk. The arrangements in place must be proportionate to the risks and are acknowledged as being the responsibility of each authority in its area of operation. The process of preparing the AGS should add value to the effectiveness of the corporate governance and internal control framework.
- 1.5.2 The AGS has been compiled using a governance framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA originally published the framework 'Delivering Good Governance in Local Government' in association with SOLACE in 2007. CIPFA and SOLACE subsequently reviewed the framework to ensure that it remains fit for purpose and a revised edition was published in spring 2016. The framework builds on the existing one and details the principles that should underpin the governance of a local authority. The framework is based on seven core principles that feed into the AGS – a summary of these are shown in Section 3 of the AGS together with examples of the evidence supporting the principals in practice within the Authority. The AGS is attached as Appendix A.
- 1.5.3 The Chief Executive, Assistant Chief Executive, and each of the Directors of Service have been involved in populating the AGS with the evidence supporting how the principals are met within the Authority. The key documents/functions that have been reviewed as part of the compilation of the AGS together with an overview of the process are outlined in Appendix B. Section 5 of the AGS (Appendix A) outlines the outcome of the review of the effectiveness of internal control and identifies areas that have been highlighted as requiring continuous monitoring to ensure that they do not become significant governance issues in the future.



- 1.5.4 The risk management update, included in the agenda for this meeting, sets out the current corporate risks being managed and monitored, and for the purpose of completeness should be considered alongside this report. This process evidences an important part of the Authority's governance framework.
- 1.5.5 The AGS is a draft based on the information and evidence available as at the date of this meeting. The draft financial statements for 2022/23 will be published on the Authority's website. Due to the timing of the approval of the financial statements, if there are any matters which arise between the publication of this report and the date of the Audit Committee on 31<sup>st</sup> May 2023, then a further update will be provided to the Audit Committee for its consideration.

## **1.6 Decision options:**

The options available are:

- (a) To accept the recommendations made in section 1.2.1; or
- (b) To reject the recommendations made within this report.

## **1.7 Reasons for recommended option:**

The production of the Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015.

## **1.8 Appendices:**

Appendix A – Annual Governance Statement 2022/2023

Appendix B – Annual Governance Statement Framework

## **1.9 Contact officers:**

Jon Ritchie – Director of Resources – Tel: 0191 643 5701

David Dunford – Senior Business Partner – Tel: 0191 643 7027

## **1.10 Background information:**

The following background papers and reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Annual Governance Statement 2022/23
- (b) 'Delivering Good Governance in Local Government' 2016 Edition (CIPFA)
- (c) 'Delivering Good Governance in Local Government: Guidance Notes' 2016 Edition (CIPFA)
- (d) 'The Role of the Chief Finance Officer' 2016 Edition (CIPFA)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no financial implications as a result of the recommendations within this report.

### **2.2 Legal**

The Annual Governance Statement is produced annually in accordance with regulation 6(1)(a) of the Accounts and Audit Regulations 2015.

### **2.3 Consultation / community engagement**

The Chief Executive, Assistant Chief Executive, and all Directors of Service have been consulted.

### **2.4 Human rights**

There are no Human Rights implications as a result of the recommendations in this report.

### **2.5 Equalities and diversity**

There are no Equalities and Diversity implications as a result of the recommendations in this report.

### **2.6 Risk management**

The annual review of the system of internal control will cover all controls, including the arrangements in place for Risk Management within the Authority.

### **2.7 Crime and disorder**

There are no crime and disorder implications as a result of the recommendations in this report.

## **2.8 Environment and sustainability**

There are no environment and sustainability implications as a result of the recommendations in this report.

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**North Tyneside Council**

# **Annual Governance Statement**

**2022/23**

31 May 2023

## Contents

### Section

1. Scope of responsibility
2. The purpose of the governance framework
3. The governance framework
4. Review of effectiveness
5. Overall assessment of governance arrangements in place
6. Signatories

## 2022/23 Annual Governance Statement

### 1.0 Scope of Responsibility

North Tyneside Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards. It must make sure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. North Tyneside Council 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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, North Tyneside Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the publication the Annual Governance Statement (AGS).

### 2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, 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 identify and prioritise the risks to the achievement of North Tyneside Council's policies, aims and objectives. By evaluating the likelihood of those risks being realised and the impact should they be realised, it allows the Authority to manage them efficiently, effectively and economically.

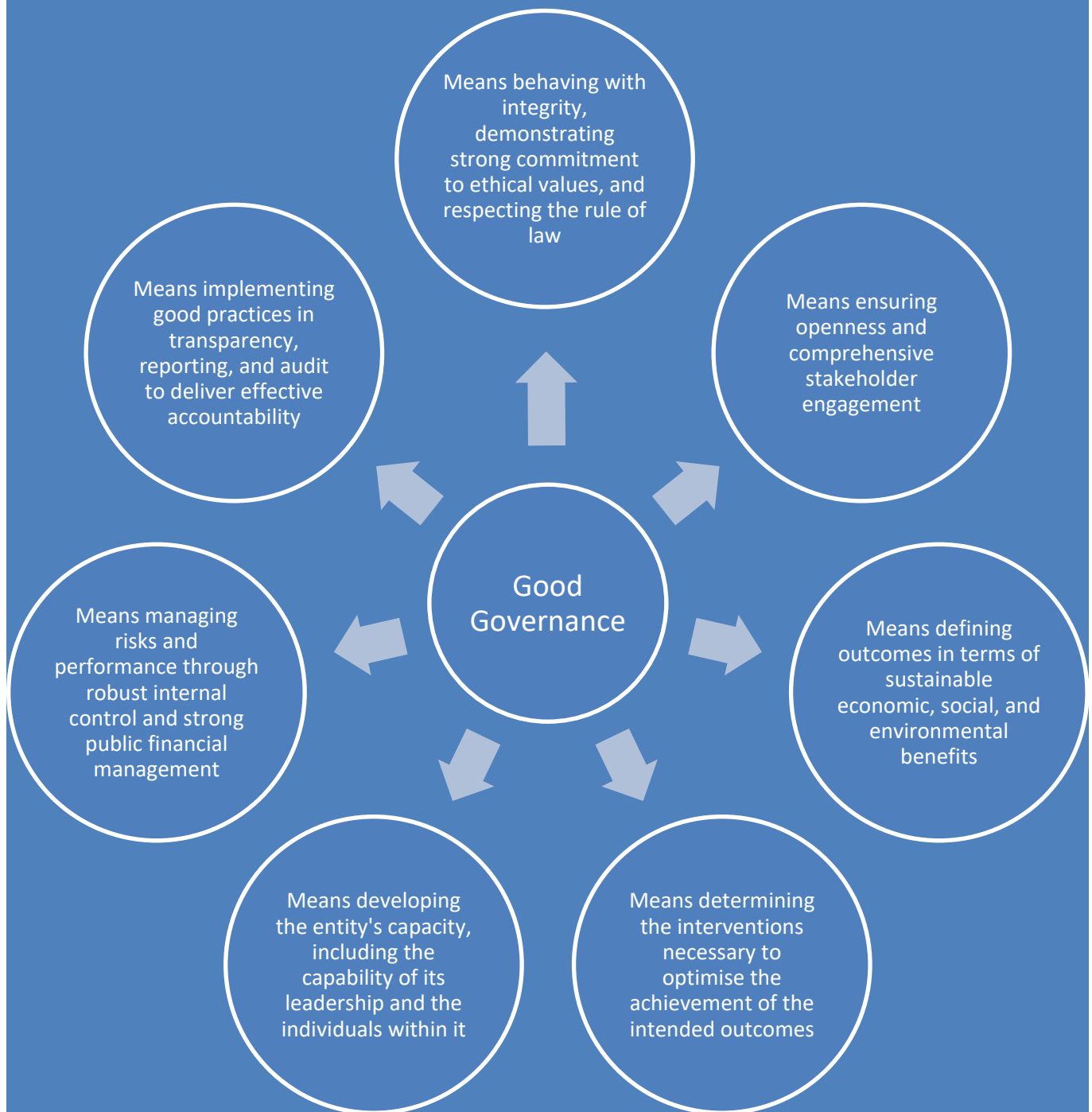
An Annual Report is produced by the Chief Internal Auditor, part of which provides an opinion from Internal Audit on the overall adequacy and effectiveness of the Authority's control environment. This Statement includes any control issues that the Chief Internal Auditor has deemed significant and should be included within the AGS. These are identified where appropriate, and referenced to the Annual Audit Report.

The governance framework has been in place at North Tyneside Council for the year ended 31 March 2023 and up to the date of approval of the Annual Financial Report.

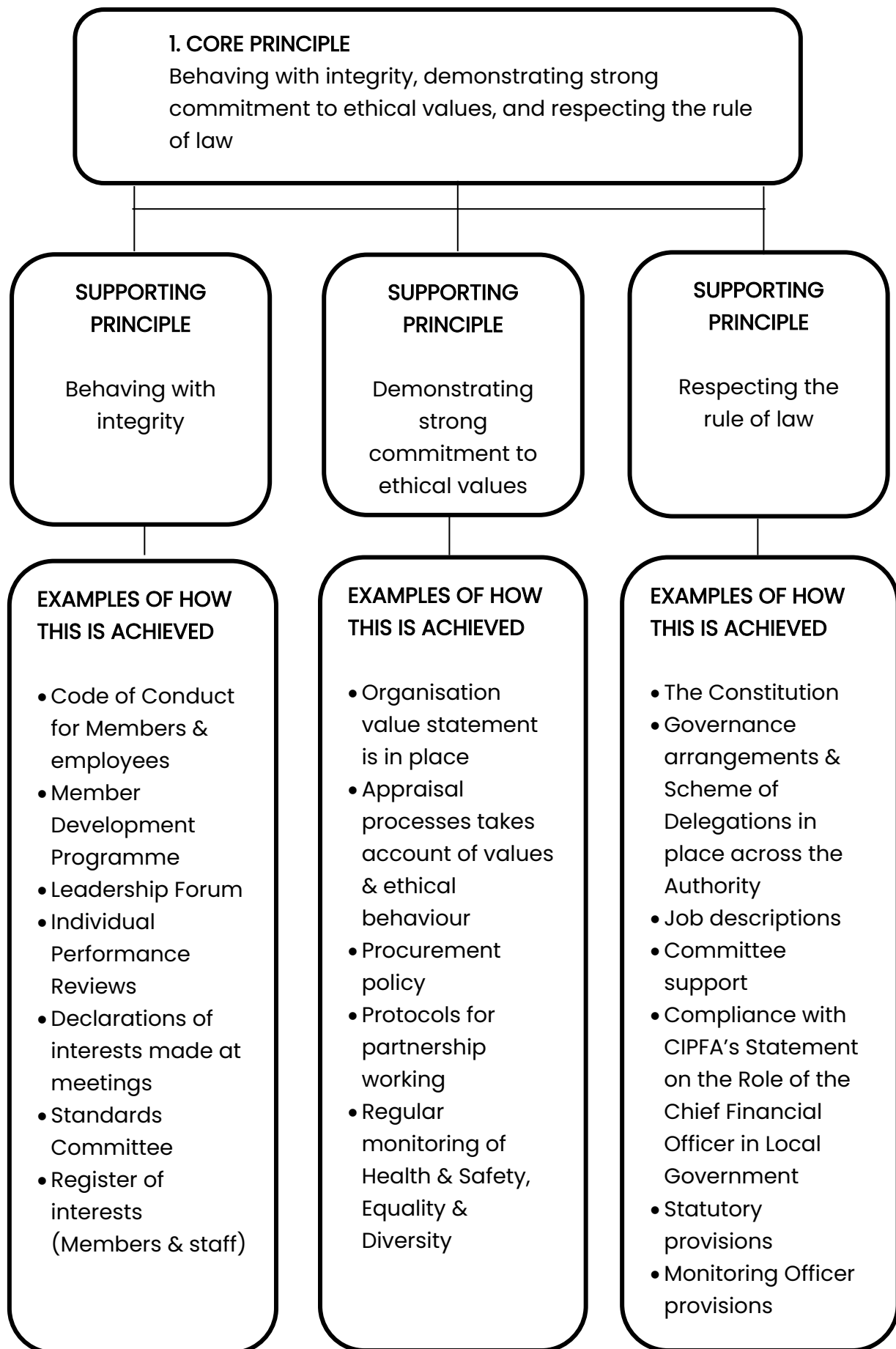
### **3.0 The governance framework**

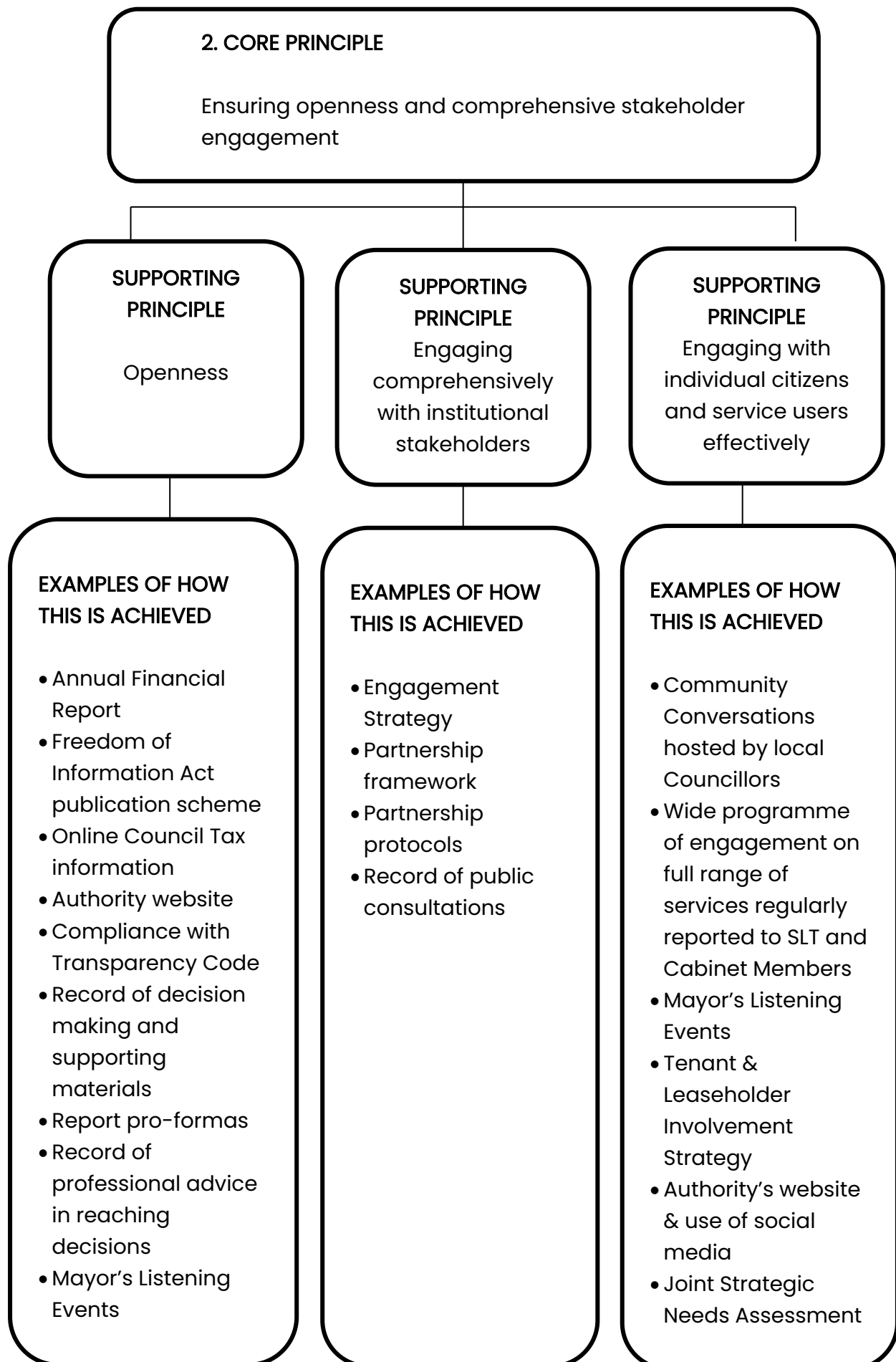
The governance framework is based on the core principles of corporate governance included in the CIPFA/SOLACE Framework. These principles are underpinned by key features that need to be in place to allow an authority to demonstrate that they comply with these principles. The diagram below sets out the seven fundamental principles:

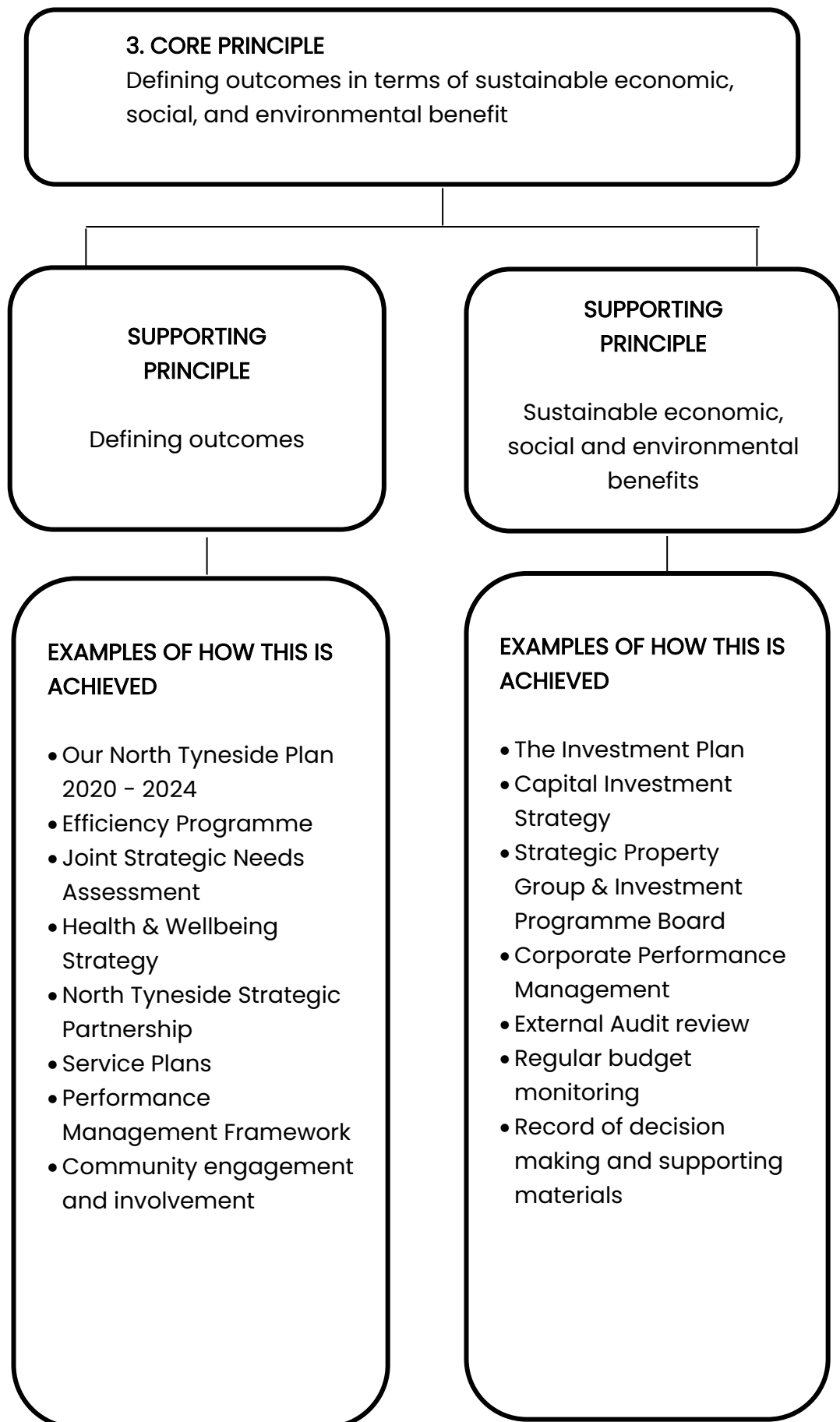


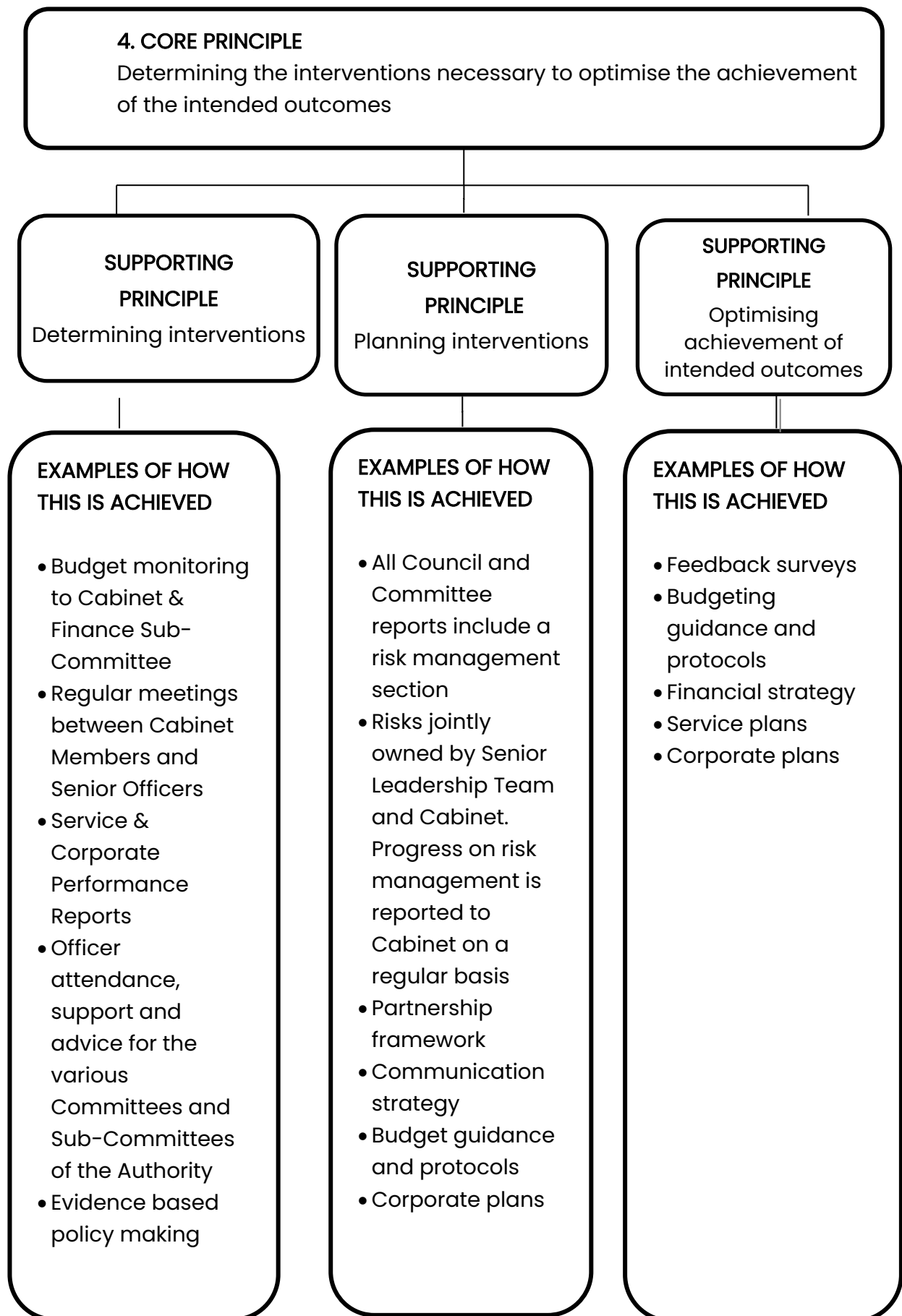


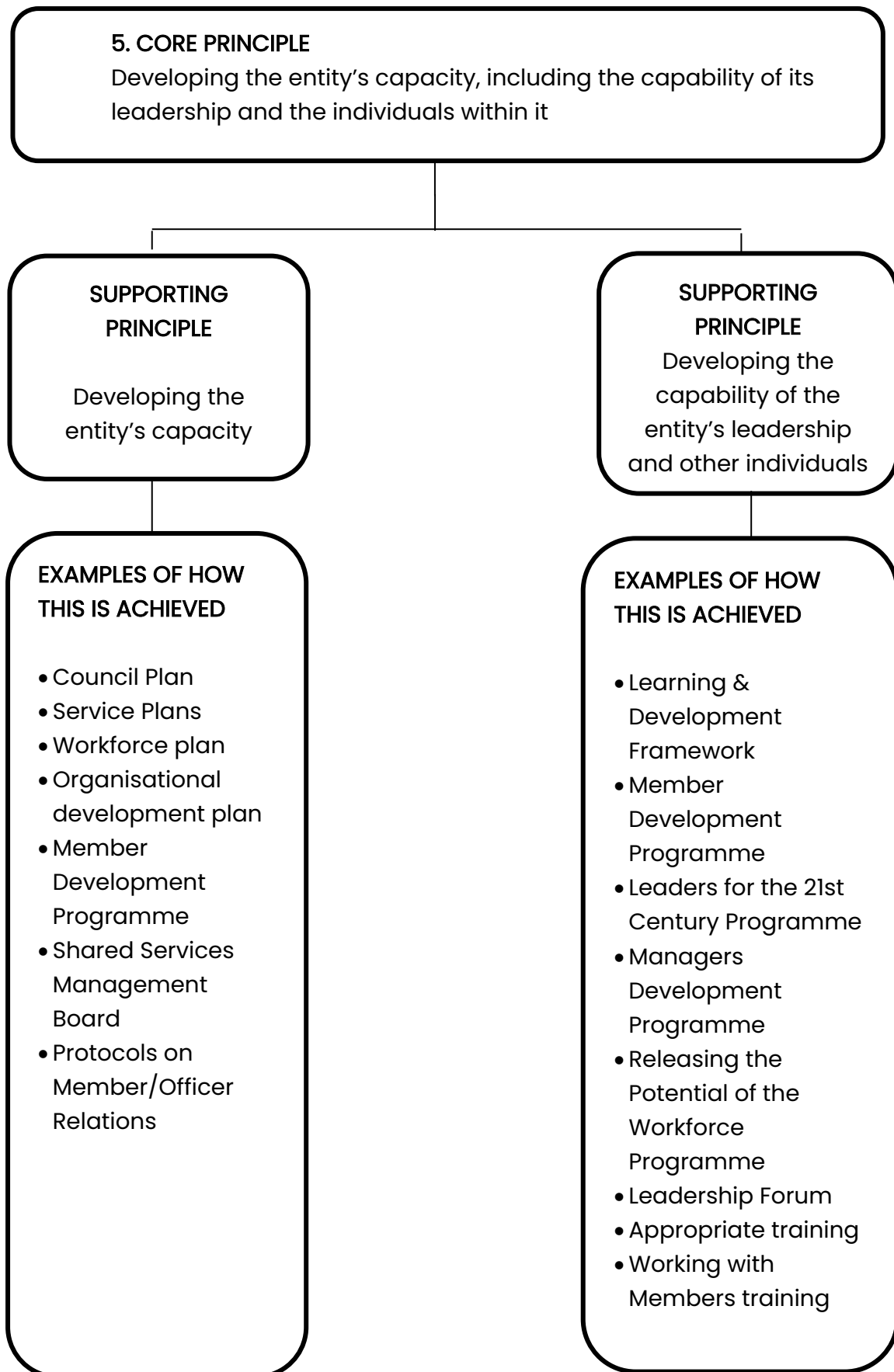
The key features that underpin each of the core principles, together with examples of how the Authority achieves them are outlined in the following diagrams.

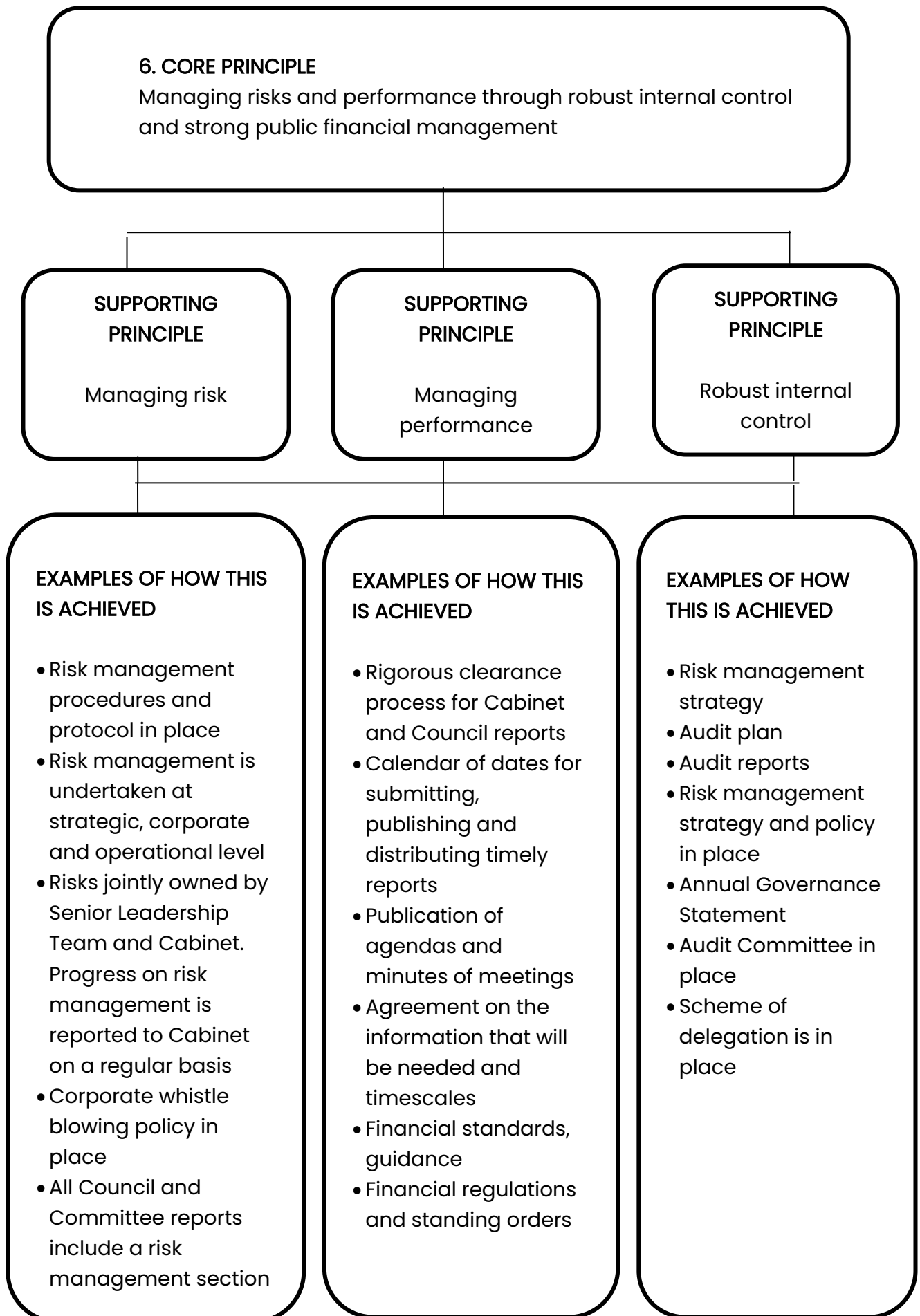


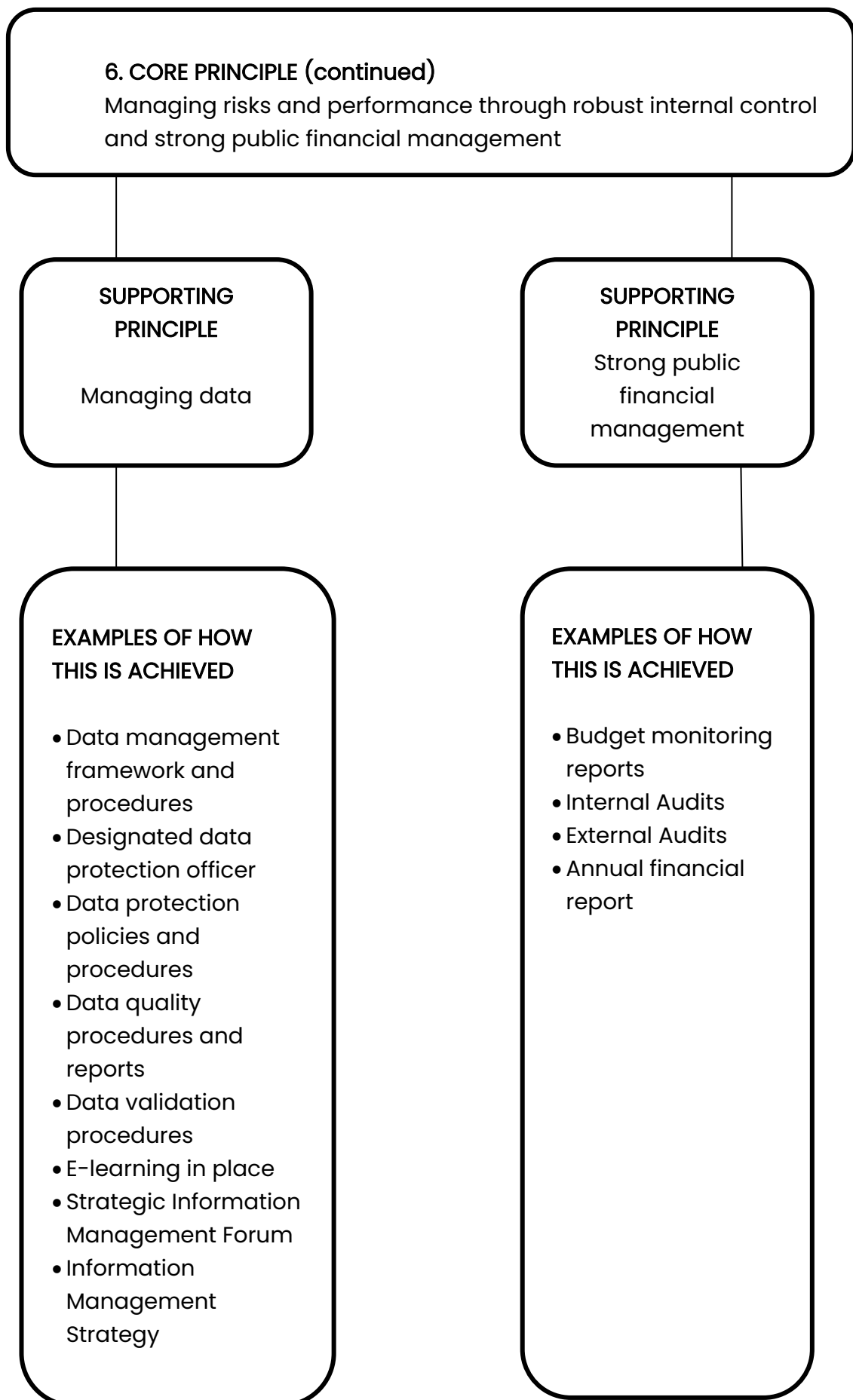




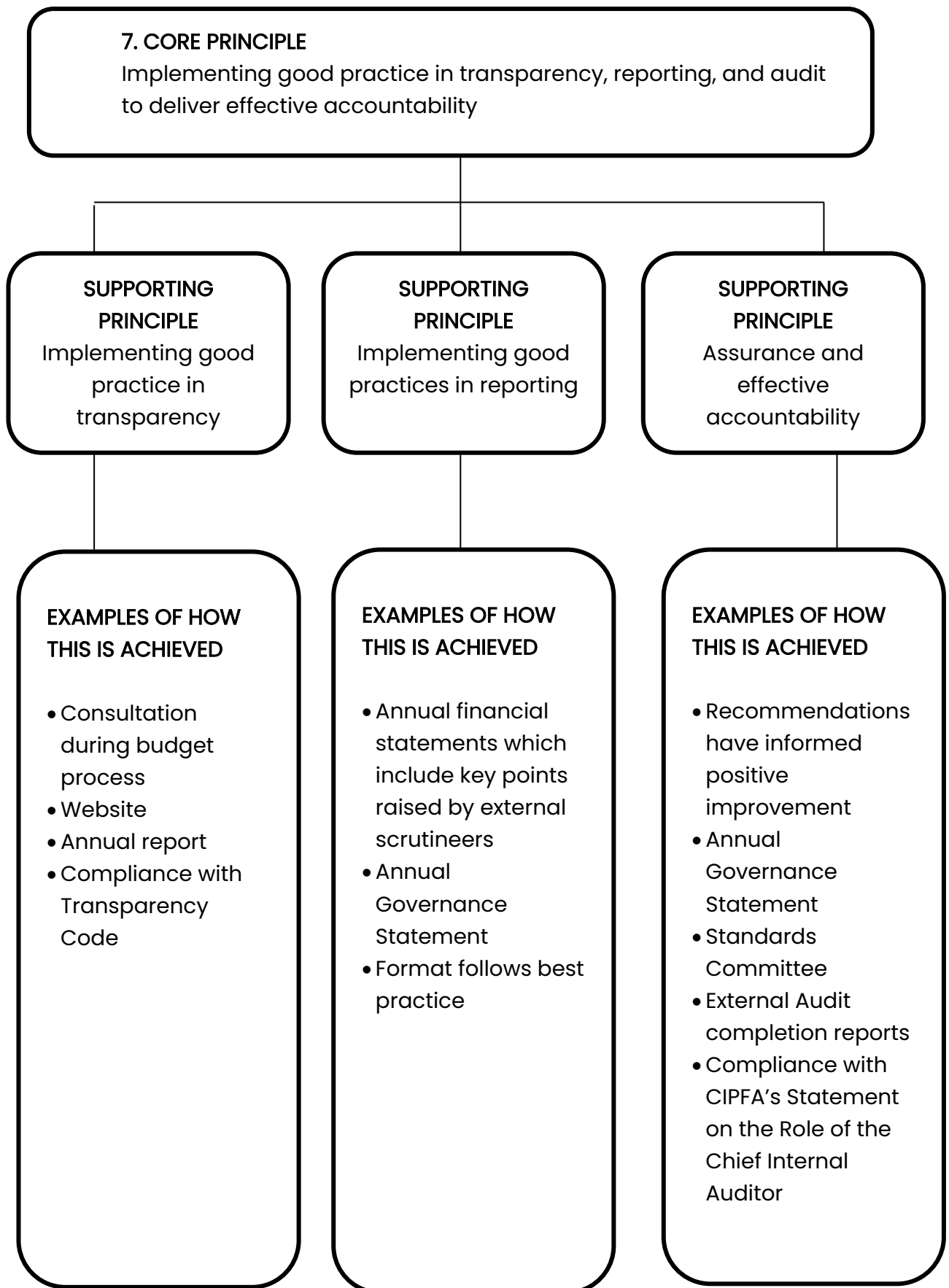












#### 4.0 Review of effectiveness

North Tyneside Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive, Assistant Chief Executive and Directors of Service within the Authority who have responsibility for the development and maintenance of the governance environment.

Listed below are the processes that are applied in maintaining and reviewing the effectiveness of the governance framework on a continuing basis:

- **The Full Council** – The Full Council is responsible, within the scope of its responsibilities under law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The Elected Mayor, the Chief Executive and Chair of Council have signed this document;
- **The Council's Executive** – The Council's Executive comprising the Elected Mayor and Cabinet is responsible, within the scope of its responsibilities under the law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Cabinet document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the AGS are reported to, and discussed with, the Elected Mayor;
- **Head of Paid Service** – The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing Act 1989;

- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. The CFO has completed a governance statement which outlines the arrangements that are required to ensure that the CFO duties can be carried out effectively. The statement is based on “The Role of the Chief Finance Officer” published by CIPFA;
- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Cabinet as set out in Section 5(2) of the Local Government and Housing Act 1989;
- **The Senior Leadership Team** – The Senior Leadership Team acts as the organisation’s overall ‘management board’, providing strategic direction to enable the business of the Authority to be undertaken. The Team provides ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The AGS is reviewed by the Senior Leadership Team as part of the production of the Statement;
- **The Audit Committee** – The Audit Committee improves corporate governance by reviewing the stewardship of the Authority’s resources. The Audit Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit Committee. The terms of reference of the Audit Committee state that they receive the information necessary to undertake an annual review of the effectiveness of the Authority’s system of internal control, will agree the methodology for the preparation of the AGS and will monitor the action plan prepared to address the issues identified in the AGS;
- **Overview, Scrutiny & Policy Development** – The Overview, Scrutiny & Policy Development Committee is about improving services for the people of North Tyneside by influencing decision makers. This is achieved by: acting as a critical friend to the Elected Mayor and Cabinet, investigating issues of interest and concern to communities within North Tyneside, involving communities in its work and making recommendations to decision makers on how services can be

improved. During 2022/23 there were seven Overview, Scrutiny & Policy Development sub-committees which cover all Authority services:

- Finance;
  - Adult Social Care, Health and Well Being;
  - Children, Education, and Skills;
  - Environment;
  - Economic Prosperity;
  - Housing; and
  - Culture & Leisure
- **Standards Committee** – The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests. The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);
- **Health & Wellbeing Board** – The Health & Wellbeing Board is in place to ensure that there is an integrated approach to the provision of health and social care services in the area. The Board is responsible for: encouraging the commissioners of health and social care services to work in an integrated manner to improve the health and wellbeing of people in the area, including the making of joint arrangements; preparing a Joint Strategic Needs Assessment, Joint Health and Wellbeing Strategy and Pharmaceutical Needs Assessment; and encouraging the commissioners of health-related services, such as housing, to work closely with the Board and the commissioners of health and social care services. The Authority's Director of Public Health and statutory Director of Adult Social Services and Children's Services form part of the Adult Social Care, Health & Wellbeing Board;
- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, the statutory Director of Adult Social Services, the statutory Director of Children's Services and other senior officers involved in Safeguarding. The Group not only provides

adequate and regular assurance for the statutory functions for Adult and Children's Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs. A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;

- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment. Although part of the Authority's overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Auditor provides an annual summary of the results and conclusions of the year's work, this report includes an opinion on areas included within the AGS;
- **Risk Management Groups** – Risk Management is undertaken at operational, strategic and corporate level and is also a main element of managing our key projects and partnerships. The Authority's Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority's priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member. All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, relevant Board, Senior Leadership Team, Cabinet, and the Audit Committee;
- **External Audit** – Officers meet regularly with the External Audit team, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through the Annual Audit Letter and the Audit Completion Report; and
- **Partnerships** – a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The

Cabinet Member for Finance and Resources (for Equans) and the Cabinet Members for Housing, Environment & Transport and Community Safety & Engagement (for Capita) also attend the relevant meeting. The OPB is the main interface between North Tyneside Council and Equans/Capita. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by Equans/Capita or the Commercial Services Team. The OPB escalates risks and issues to the Strategic Partnership Board, which in turn escalates risks and issues to Cabinet as appropriate.

- **CIPFA Financial Management Code** - The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected Members, the Chief Finance Officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

All of the above work has been used in compiling this Statement and arriving at an assessment of the internal control arrangements in place within the Authority.

## 5.0 Overall assessment of Governance Arrangements in place

Any 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 and that significant risks impacting on the achievement of the Authority's objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See "Annual Governance Statement 2021/22" section of the Internal Audit Service report "2021/22 Opinion on the Framework of Governance, Risk Management and Control".

As a result of reviewing the evidence outlined, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2022/23 within the Authority were adequate.

## 5.1 Outlook

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority's assurance statement, some issues were identified that will need to be monitored during 2023/24. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

## Review of 2023/24 AGS Action Plan – May 2023 Update

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
<p><b>Housing Revenue Account (HRA)</b> – there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a result of reduced income to the HRA.</p>	<p>Government policy on Welfare Reform has resulted in a number of direct challenges to rent collection, for example the Spare Room Subsidy and the Benefit Cap.</p> <p>Further Welfare Reform changes, including the roll out of Universal Credit that commenced in May 2018.</p> <p>The rent increase is likely to be affected due inflation rates currently being so low. This will impact on to the government formula of CPI + 1% calculation resulting in reduced resources within the HRA Business Plan</p> <p>Restructure of the Neighbourhood service has taken place, bringing in more resource to mitigate the impact of Welfare Reform and full UC role out.</p>	<ul style="list-style-type: none"> <li>Any impact from changes in Government legislation is reflected in the HRA plan and approved by Cabinet as part of the annual review of the HRA.</li> <li>Revised 30-year Capital Investment Plan is in place.</li> <li>The Authority has representation on the MHCLG (Ministry for Housing, Communities &amp; Local Government) and the CIPFA HRA working groups. Specific issues can be raised through these forums and the Authority can also comment and influence changes on HRA regulations.</li> <li>The Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income.</li> <li>Self-service/agile working, through the implementation of self service and agile working overall costs should be reduced.</li> <li>The Government announced during 2018 that it will be removing restrictions on the HRA borrowing cap, and that authorities will purely operate under the same rules that apply to the General Fund in accordance with the Prudential Code i.e. affordability being the key issue.</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
		<ul style="list-style-type: none"> <li>• The direct delivery of the repairs, maintenance and construction service brings with it, financial benefits creating greater financial flexibility to balance the HRA.</li> <li>• A watching brief will be kept on the implications of any further Government proposed changes as they arise, and appropriate representations will be made to Government.</li> <li>• The HRA Business Plan will be adapted as a result of low inflation rates that will impact on the rent increase resulting in lower level of income to support the original plan.</li> </ul>
<p><b>Implementation of Universal Credit Full Service</b> – there is a risk on resident's finances both in them receiving the payment and their ability to manage their finances on a monthly basis. Risks also exist around the HRA if rent arrears increase as a result.</p>	<p>The impact of the Universal Credit (UC) roll out over 2019/20. The full service was implemented on 2 May 2018 by Job Centres in North Tyneside. This brings families with children into scope.</p> <p>The potential impact on resident's finances and the delay in receiving initial payment is a concern, although Government have provided some additional support measures with 2 weeks additional Housing Benefit and promotion of advanced payments.</p> <p>Resident's ability to make and maintain claims online and their ability to manage finances on a monthly basis is also a challenge.</p> <p>The impact on the HRA, as</p>	<ul style="list-style-type: none"> <li>• Partnership working to support the claimants of UC with Community and Voluntary Sector and Job Centre Plus.</li> <li>• Referral mechanisms established to support residents with ICT Skills to claim and update UC claims as well as managing budgets.</li> <li>• Promotion of Direct Debit. Also use of alternative payment arrangements where appropriate to support vulnerable residents.</li> <li>• Expanding the UC Support Team to ensure that arrears balances are closely monitored and controlled.</li> <li>• Introduced Employability Officers x3 to support claimants</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	<p>claimants receive their Housing element of UC directly and have to make payment to the authority (currently Housing Benefit paid direct to Local Authority) is a challenge to maintain rent collection levels.</p>	<p>back into employment.</p> <ul style="list-style-type: none"> <li>Introduced analytical software to target support to the most vulnerable UC claimants.</li> <li>An officer is in place to manage the electronic real-time notifications that are received from the Department for Work and Pensions in relation to new claims and payments.</li> <li>There has been an increase in UC claim numbers throughout Covid-19 but well-established support arrangements are in place to offer support to new claimants.</li> </ul>
<p><b>Efficiency Savings Programme</b> There is a risk that if the programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on Council services within reducing resources.</p> <p>There is a risk that budget monitoring does not fully align with the efficiency programme.</p>	<p>Reductions in central government funding combined with increasing demand levels for the Authority's services has required the Authority to develop new ways of working. The Authority is aiming to deliver high quality services with fewer resources at its disposal.</p> <p>The challenge that reducing resources places on the Medium Term Financial Plan make savings a key part of the strategic financial planning for the Authority to ensure service delivery is not affected.</p>	<ul style="list-style-type: none"> <li>Governance framework – there are monthly updates via Senior Leadership Team (SLT) and the Leadership Forum. In addition, as part of the Financial Management Function quarterly Budget &amp; Performance Sessions are held with Cabinet Members. This ensures that there is visibility and accountability.</li> <li>Regular updates are reported to Lead Member Briefings. This informs Cabinet Members of progress and of any issues.</li> <li>A refreshed Joint Strategic Needs Assessment (JSNA) is in place which provides a new approach to needs assessment to provide an improved foundation for the Efficiency Statement.</li> <li>The Risk Register highlights and reports key risks attached to the</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
		<p>strategic aims of the Efficiency Savings Programme. The Efficiency Savings Programme Board receive this report enabling informed decisions to be made.</p> <ul style="list-style-type: none"> <li>The Authority continues to use the governance structure in place for budget setting and budget monitoring to regularly review any potential impact of Covid-19 on the ability to deliver the Efficiency Savings Programme.</li> </ul>
<p><b>Business Rates –</b> There are a number of risks with new Government proposals to move to a 75% or 100% retention policy.</p>	<p>There are on-going discussions and moves by Central Government to implement 100% Business Rate Retention for Local Authorities. This initiative was delayed in the previous parliament with a one-year settlement removing the 75% pilot and returning the Authority to 49% retention for 2020/2021.</p> <p>Increased retention would potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as a greater % of business rates will be retained.</p> <p>However, a lack of business growth or the shutting of a business will have a negative impact on the Authority's revenues.</p> <p>The Authority will also have to bear an increased % of</p>	<ul style="list-style-type: none"> <li>The Authority, along with its North of Tyne partners, entered a 75% retention pool for 2019/20. This was to act as a trial for the impact a switch in national policy might have on North Tyneside, but it was announced in the recent Spending Round that the 75% pilots will not continue into 2020/21, meaning NTC will return to 49% retention.</li> <li>A Task &amp; Finish Group, Business Rates Retention, has been set-up to influence central government direction on the proposed Business Rates Retention system. This has involved the establishment by the Local Government Association (LGA) and MHCLG of an officer-level steering group and 3 working groups. The working groups meet regularly and cover service responsibilities, needs &amp;</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	<p>business rates appeals; this was previously 50%.</p> <p>The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed.</p> <p>The Covid-19 pandemic has had a significant impact on the global economy and there is a risk that businesses will not survive. In addition, Covid-19 has seen businesses adapt to new ways of working with increased levels of homeworking. There is a risk that demand for office space reduces. Both factors present a significant risk to the resources available to the Authority.</p>	<p>redistribution, system design, accounting &amp; accountability and business interests.</p> <ul style="list-style-type: none"> <li>• Presentations have been received from MHCLG both to the region and jointly to the Local Government Association.</li> <li>• The Authority considers and responds to consultations issued on the proposed changes to business rates.</li> <li>• Weekly monitoring of the Valuation Office appeals data is carried out to gain an understanding of the Authority's position.</li> <li>• MHCLG continue to consult on business rate retention as it links in with Governments Fair Funding Review and devolution of further responsibilities.</li> <li>• Proposals to change risk on appeals, Central Government bearing cost, with top slice to each authority's funding.</li> <li>• Valuation Office Agency have introduced new appeals process from 1 April 2017 called check, challenge, appeal which introduces additional processes to reduce the number of appeals made. Large reduction in number of appeals has been seen in first year of scheme. The Authority has made prudent judgements on potential impact of appeals on the collection fund accounts and monitor this on a</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
		<p>monthly basis.</p> <ul style="list-style-type: none"> <li>Along with the new valuation list being delayed until April 2023, the Government's fundamental review of the whole of the Business Rates system is currently ongoing. This will add to the uncertainty currently surrounding financial planning.</li> </ul>
<p><b>Information Governance</b> – there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.</p>	<p>Some information held by the Authority is extremely sensitive in nature which requires robust policies, guidance and systems to be in place to ensure that it is as secure as possible.</p> <p>Privacy and confidentiality are the cornerstone of data protection so it is essential that staff are fully aware of the procedures that they need to follow when dealing with sensitive information.</p> <p>In May 2018 Data Protection legislation changed setting out new requirements for organisations. The new legislation placed greater emphasis on accountability and gave citizens more control over what organisations could do with their personal data.</p>	<ul style="list-style-type: none"> <li>E-learning in respect of information sharing and information governance awareness training. It is mandatory for all staff and Members handling information to undertake regular e-learning.</li> <li>Information Governance and Security Group. This is an assurance group which includes the Senior Information Risk Owner, the Data Protection Officer, and relevant senior managers. Their role is to help to ensure that the Authority's information governance, IT systems, and processes are fit for purpose. The terms of reference and attendees were reviewed and agreed during 2021.</li> <li>Register of Processing Activities (ROPA), the Asset Information Register and Information Asset Owners (IAO). This is reviewed and updated annually following the data audit and enables the Authority to readily identify the</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
		<p>information it holds. The 2022/23 ROPA has recently been completed. It also enables us to look at information flows, highlighting any risks. The register is completed at a high level, drilling down in order to produce a more detailed register.</p>
<p><b>Partnerships</b> – There is a risk that partner organisations governance arrangements and service plans do not align with the Authority’s.</p>	<p>The Authority needs to continue to manage and review governance arrangements that are in place in respect of all partnerships to ensure required services are continued to be delivered against agreed service plans whilst demonstrating value for money.</p> <p>In addition, the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.</p>	<ul style="list-style-type: none"> <li>• The Governance structure that is in place ensures that the governance to manage partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group.</li> <li>• A performance payment mechanism ensures that the correct payments are made in relation to the partners.</li> <li>• Development and monitoring of the Annual Service Plan for both partnerships continues and performance against these plans are reported through OPB and SPB.</li> </ul>
<p><b>Workforce (including Recruitment and Retention) &amp; Succession Planning</b> – There is a risk that our workforce planning may not meet the</p>	<p>Following the pandemic, the Authority faces increasing difficulty in recruiting into some of our service areas. This is compounded by scarcity of available talent due to a buoyant candidate market meaning there is greater competition for candidates. The impending</p>	<ul style="list-style-type: none"> <li>• People Strategy 2023-26 – a new people strategy is being developed to align resources to deliver services to meet the Council’s priorities.</li> <li>• An Early Years Careers Apprenticeship and Graduate scheme is in place to support our workforce plan.</li> <li>• New reporting is being</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
<p>needs of the Authority especially with regards to succession planning, remuneration linked to pay practice and job evaluation, and recruitment and retention across some of our services e.g. Social Care and Public Health.</p>	<p>financial crisis means that individuals are actively looking for better paid roles. Our job evaluation process was implemented in 2006 and whilst we continue to evaluate roles and operate within our Reward framework and pay policy, we need to plan for a future full review to ensure we are competitive, able to attract talent and operate consistently and fairly in line with legislative changes.</p> <p>The current workforce planning framework needs strengthening to ensure it is better aligned to data insight which will provide more accurate and robust succession needs which provide the stability and skills mix necessary to meet the NTC Plan.</p>	<p>developed which will provide greater insight to managers to understand their people and resource challenges and support better decision making. Reporting is being trialled and expected to be council wide by June.</p> <ul style="list-style-type: none"> <li>• A systematic review of HR Policy to continue to identify gaps / risk areas and put in place action plans to address.</li> </ul>
<p><b>Finance and Resources –</b> There is a risk that due to significant historic reductions in local authority core funding and the ongoing uncertainty of funding beyond</p>	<p>The exact trajectory of future funding to local government in general remains uncertain. Despite a 3-year settlement being announced in 2022/23 relating to the quantum of funding available to the sector the Government has continued to deliver one year financial settlements which makes medium-term financial planning</p>	<ul style="list-style-type: none"> <li>• Flexibility within the Efficiency Programme and approach to managing the in-year budget. Flexibility will allow us to reconfigure if the assumptions that have been made prove to be incorrect. It should be noted that due to the ongoing impact of rising energy costs, inflation and the legacy impact of the pandemic the 2023/24 Efficiency Programme targets may not be</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
<p>2023/24 the Authority may not be able to make appropriate plans to ensure its financial sustainability. This is exacerbated by the long-term financial impact of the covid pandemic, general demand for services, rising energy costs and inflation compounded with patchwork funding for social care including the impact of the Health and Social Care Act 2022 and the introduction of new funding formulas for schools.</p>	<p>challenging. Changes and the implementation of funding reforms have been continually delayed with indications that these will not be implemented until 2025/26 at the earliest.</p> <p>The potential impact of the Health and Social Care Act 2022 presents significant financial risks for the Authority and add to the level of uncertainty in relation to financial planning. Whilst some of the impact of this has been delayed until 2024/25 the Authority must be able to plan ahead to ensure resources are sufficient to meet the requirements of changes to the cost of care for residents.</p> <p>Demand for services for vulnerable adults and children continued to grow during 2022/23 with financial pressures in these services continuing to present significant risks. Additional Social Care Grants from the Government for 2023/24 have been welcomed, however this additional funding will only go part way to recognising current pressures within the system and does not address the ongoing demand for social care within North</p>	<p>achieved.</p> <ul style="list-style-type: none"> <li>• Bi-monthly budget reporting to Cabinet. Publicly reporting to Cabinet ensures any deviation from the Budget plan can be challenged by each lead Cabinet Member. It raises awareness of the financial position of the Authority to ensure Cabinet Members can work within their portfolios to address areas of concern with Directors and Senior Managers. Any inflationary impacts arising during the financial year will be considered as part of the monitoring report. Budget reports are also taken to Finance Sub-Committee.</li> <li>• Reporting to the Overview &amp; Scrutiny Committee as required. Ensures checks and challenge for each project on performance and non-financial benefits of the Efficiency Programme. Regular progress reports are now submitted to Overview &amp; Scrutiny Committee.</li> <li>• Investment Programme Board monitors and manages the Investment Plan receiving reports on exceptions. Outcomes are reported to Cabinet, Finance Sub-Committee and relevant scrutiny sub-committees as part of the budget monitoring process. Our Local Prudential Code provides</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	<p>Tyneside.</p> <p>The Authority's schools continue to face financial challenges not least from unfunded legislative requirements but also from exposure to inflationary pressures including the pay award and rising energy costs, rising High Needs and the impact of the shift to the National Funding Formula. The Authority carries the risk associated with a small number of high value deficits, with an indication the number of schools in deficit may grow.</p> <p>The borough economy continues to grow and has seen strong housing growth in recent years. This brings with it additional demand for services. Responding to increased waste collection, the impending changes to recycling and waste management from central government and contracting arrangements will bring additional/new cost pressures, the funding of which is uncertain.</p> <p>Future resource forecasts have been provided within the current Medium-Term Financial Plan however the fundamental uncertainty</p>	<p>clear parameters on affordability.</p> <ul style="list-style-type: none"> <li>• We work closely with national, regional and sub-regional financial networks to help ensure we are informed and aware and contribute to the debate regarding any national developments.</li> <li>• Key financial officers meet on a regular basis to discuss strategic financial issues. Work that was undertaken during the pandemic is continuing as part of business as usual.</li> <li>• Contribute to ongoing Government consultation on matters affecting local government finance e.g., Business Rate Retention, Fair Funding Review and Schools funding. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made. However, this activity has been suspended and we are awaiting clarification.</li> <li>• Scenario planning is undertaken to assess the potential range of resource implications for the Authority. It provides advice on the potential financial impacts the Authority may face. Including implications from any White Papers and the Local Government Finance Settlement.</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	beyond 2023/24, and the potential longer term impact from rising energy costs and the impact of inflation coupled with the legacy costs associated with the impact of the pandemic adds to the risk of developing a financial plan and ensuring financial sustainability of the Authority.	<ul style="list-style-type: none"> <li>• Work is undertaken on an annual basis to take into account relevant financial impacts on the Authority. The Budget for 2023/24 took into account for example inflationary impacts from rising energy costs, inflation and costs for social care as well as ongoing impact from Covid-19. Moving into 2024/25 this work will continue for the Medium-Term Financial Plan.</li> <li>• Discussed the current understanding of the impact of the Whitepapers and associated financial risk resulting in the development of a White Paper Action Plan.</li> <li>• Major Projects Board will undertake a review, and challenge of capital spend linked to major projects within the Authority.</li> <li>• A detailed review of Children's Services budgets to provide clarity of the cost drivers and the associated action plans to manage them.</li> </ul>
<b>Supply Chain</b> There is a risk that the Authority's service delivery relies on an extensive supply chain and, if it became	If the Authority does not undertake the necessary checks to ensure that our key suppliers are financially sound, the Authority's critical services could be disrupted if one or more of our suppliers were to face financial difficulty or cease to operate.	<ul style="list-style-type: none"> <li>• Ensures that we know which organisations are critical to maintaining business continuity and are included in our continuity planning, in particular regarding reduced opportunities to purchase. We are working with providers to establish available stock enabling us to</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
<p>disrupted or elements ceased to operate, the Authority's service delivery could be impacted.</p>	<p>The Authority is also facing risks to supply chain from the impact of Covid, EU transition and the Russian / Ukraine conflict.</p>	<p>place long term orders i.e. 3 months rather than monthly.</p> <ul style="list-style-type: none"> <li>• Horizon scanning will flag up early signs of organisations facing financial problems. It will provide the opportunity to plan. This could for example include the identification of alternative delivery.</li> <li>• This also includes market analysis to understand where any difficulties may be faced in obtaining key supplies.</li> <li>• We have established new governance and lead officer arrangements regarding our contractual and commercial measures.</li> <li>• A robust suite of contract training has been carried out with Contract Mangers.</li> </ul>
<p><b>Rising Energy and Other Costs</b></p> <p>There is a risk that due to the volatile market conditions and global increase in energy costs there may be significant financial pressure placed on the Authority, businesses, and residents.</p>	<p>Due to the unprecedented rise in energy costs the Authority will face significant financial pressures both directly i.e. increased energy costs for the Authority and indirectly i.e. increased costs in supplies and services.</p> <p>The increase in energy costs along with rising cost of living will also have significant impact on local businesses which could result in job losses and closures.</p>	<ul style="list-style-type: none"> <li>• We work closely with national, regional and sub-regional financial networks to help ensure we are informed and aware and contribute to the debate regarding any national developments.</li> <li>• Key financial officers meet on a regular basis to discuss strategic financial issues. Work that was undertaken during the pandemic is continuing as part of business as usual.</li> <li>• Scenario planning is undertaken to assess the potential range of resource implications for the</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	<p>The rising energy costs and rising cost of living will also have an impact on residents specifically those who are already facing financial difficulties and those in ill health.</p>	<p>Authority. It provides advice on the potential financial impacts the Authority may face.</p> <ul style="list-style-type: none"> <li>• Ongoing regular updates to Directors of Resources across the ANEC region on energy pricing and associated costs.</li> <li>• There are a number of projects and services in place to address and support inequalities and support vulnerable residents to ease pressure from the impacts of rising energy costs and rising cost of living.</li> <li>• Safe and Healthy Home Officers, funded through Public Health, and they officer advice, support and signposting around all aspects of fuel to private sector tenants / home owners including boiler repairs and replacements, utility switching or just supporting people with a small grant to get them through the winter.</li> <li>• Support for residents includes the continuation of the local additional scheme to support council tax with hardship payment of up to £150 which may help with the rising cost of living. There is also a range of other support including the Poverty Intervention Fund.</li> <li>• The net-zero plan will identify a range of energy efficiency, generation and low carbon heat projects. Although some projects</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
		<p>could come with increased running costs, such as using air source heat pumps to replace gas boilers in Council buildings, there will be project that save on consumption and cost and can generate electricity locally.</p>
<p><b>Carbon Net-Zero 2030</b></p> <p>There is a risk that significant progress against the actions in the Carbon Net-Zero 2030 Action Plan (that are deliverable by the Authority) may not be made by 2030.</p>	<p>In July 2019 full Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2050.</p> <p>Subsequently, in further acknowledgement of the gravity and urgency of the Climate Emergency, the refreshed Our North Tyneside Council Plan 2021-25, approved by full Council in September 2021, included the following ambition:-</p> <p>“We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside Carbon Net-Zero by 2030.”</p> <p>On 1 August 2022 Cabinet approved the Carbon Net-Zero 2030 action plan.</p>	<ul style="list-style-type: none"> <li>• Cabinet has approved the Carbon Net-Zero 2030 Action Plan, demonstrating a policy commitment to delivering the actions contained within. The Action Plan also sets out the governance approach to delivering the actions.</li> <li>• A Carbon Net-Zero board meets monthly and provides governance to ensure that the Authority is developing appropriate actions and associated targets. Performance is closely monitored and reported.</li> <li>• Participation has been secured from a number of public sector and private businesses to work together on a Board to tackle borough wide carbon emissions. A work programme has been developed and agreed</li> <li>• There is provision for project delivery within the capital investment plan.</li> <li>• The Authority has joined UK:100 to strengthen calls to Government on issues such as funding, legislative frameworks</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Update to Controls Identified in May 2023 Audit Committee Report
	<p>The action plan includes 150 actions, some of which are unfunded and / or require further government legislation / action and / or technological development.</p> <p>Notwithstanding the actions that are outside of the control of the Authority, given the scale of the challenge and the broad nature of the projects to be delivered across the Authority, and the potential funding shortfall, there is a risk that significant progress against some of the actions included in the Carbon Net-Zero 2030 Action Plan (that are deliverable by the Authority) may not be achieved by 2030.</p>	<p>and key infrastructure developments. The Authority will also continue to work with key partners such as North of Tyne Combined Authority to lobby government where appropriate.</p> <ul style="list-style-type: none"> <li>• Funding streams released by Government e.g. Public Sector De-carbonisation Scheme and Green Homes Grant are enabling project delivery. Officers will continue to explore and apply for grant funding opportunities.</li> <li>• The performance framework is updated on a monthly basis and supports the Carbon Net-Zero 2030 board in assessing progress against the action plan. It also assists in annual performance reporting to Cabinet.</li> </ul>

## 6.0 Signatures

We, the undersigned, propose to ensure the areas identified above are monitored during the coming year in order that the governance arrangements within the Authority remain effective. These will be reviewed throughout the year.

Signed:

Elected Mayor

Chief Executive

**Date:**

**Date:**

**Chair of Council**

**Date:**

I confirm that the Audit Committee (at its meeting on 31/05/2023) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2022/23, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

**Chair of the Audit Committee**

**Date: 31/05/2023**

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## **Annual Governance Statement (AGS) Framework**

### **Evidence is gathered from a variety of sources including:**

The Governance Framework – examination of key documents/functions

Council and Service Policies

Business Plans and Risk Registers



### **Supporting evidence and assurances are reviewed – this comes from:**

Internal Audit – periodic and annual reports

Financial Management – financial plans, statutory returns, external audit

Members Assurance – scrutiny functions, Standards Committee

Risk Management – risk management strategy

Assurance Statement – completed annually

Chief Finance Officer's Statement – completed annually

Council and Cabinet Meetings



**Draft AGS compiled together with action plan to address any identified governance issues**



**Draft AGS and action plan reviewed by Senior Leadership Team and Chief Executive**



**Draft AGS presented to Audit Committee for review and approval**



**AGS signed by Elected Mayor, Chief Executive, Chair of Council and Chair of Audit Committee**



**AGS included within the Annual Financial Report**

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## North Tyneside Council Report to Audit Committee Date: 31 May 2023

Title: Internal Audit Quality Assurance and Improvement Programme (QAIP)

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Report from Service      Resources

Area:

Report Author:      Richard Dunlop, Interim Chief Internal Auditor      (Tel: 643 5738)

Wards affected:      All

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### PART 1

#### 1.1 Purpose:

The purpose of this report is to inform and seek endorsement from Audit Committee for a revised Quality Assurance and Improvement Programme (QAIP) for the Internal Audit service. Maintaining a QAIP is a requirement of the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note (LGAN).

#### 1.2 Recommendation(s):

Audit Committee is asked to note and endorse the Quality Assurance and Improvement Programme (v1.0 May 2023) which is attached as **Appendix A** to this report

#### 1.3 Council plan and policy framework

The work of Internal Audit and the Audit Committee covers all service responsibilities as identified within the Council Plan.

#### 1.4 Information

1.4.1 The PSIAS and accompanying Local Government Application Note requires that every relevant Internal Audit service establishes a Quality Assurance and Improvement Programme (QAIP). A QAIP enables an evaluation of the internal audit activity's conformance with the Internal Professional Practices Framework (IPPF), Definition of Internal Auditing and Standard 1300 within the Public Sector Internal Audit Standards (PSIAS) 2017 and an evaluation of whether internal auditors apply the Code of Ethics.

1.4.2 The QAIP also assesses the efficiency and effectiveness of the internal audit activity with the primary objective to promote continuous improvement to enable Internal Audit to meet its mission, which is defined by PSIAS as:

*"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."*

1.4.3 The service has operated a QAIP for a number of years, but it is recognised that the existing framework could be improved by documenting these activities within a single central document. The QAIP framework document (v1.0 May 2023), attached as **Appendix A**, will assist with monitoring of conformance with PSIAS and enable continuous improvement of the service.

1.4.4 As required by PSIAS, the outcomes of the QAIP will continue to be included in the Annual Opinion report.

## 1.5 Decision options:

It is recommended that Audit Committee notes and endorses the Quality Assurance and Improvement Programme (v1.0 May 2023) attached as **Appendix A**.

Audit Committee may also wish to request changes to the proposed QAIP to include additional performance information.

## 1.6 Reason for recommended option:

The recommendation will assist the Internal Audit service to strengthen its conformance with PSIAS and provide enhanced clarity to stakeholders on its performance.

## 1.7 Appendices:

## 1.8 Contact officers:

Richard Dunlop (Interim Chief Internal Auditor) Tel 643 5738

Marc Oldham (Acting Group Assurance Manager) Tel: 643 5711

## 1.9 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- (a) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy \(CIPFA\) / Institute of Internal Auditors \(IIA\), April 2017 \(P\)](#)
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, CIPFA / IIA (P)
- (c) [Financial Regulations, version 7a, June 2021 \(P\)](#)
- (d) [Internal Audit Charter, November 2022 \(P\)](#)
- (e) [The Accounts and Audit Regulations 2015, April 2015, as amended 2022 \(P\)](#)

## PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

### 2.1 Finance and other resources

There are no direct financial implications arising from the recommendations in this report. The proposals regarding external assessment by another local authority requires a reciprocal arrangement, in that the Chief Internal Auditor will be required to spend a little time undertaking an assessment of one of the other Internal Audit services.

### 2.2 Legal

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.

These internal auditing standards / guidance are the Public Sector Internal Audit Standards 2017 and the accompanying Local Government Application Note. Adherence to these standards is the subject of the main body of this report.

### **2.3 Consultation/community engagement**

This report and accompanying appendices have been established for discussion and consultation with the Audit Committee as the designated 'board' under PSIAS.

### **2.4 Human rights**

There are no human rights issues arising from this report.

### **2.5 Equalities and diversity**

There are no equality and diversity issues arising from this report.

### **2.6 Risk management**

There are no specific risks arising from this report, as the self-assessment has demonstrated a high level of conformance with the required standards. Should this situation change, a further report would be brought back to Audit Committee as the designated 'board' under the PSIAS.

### **2.7 Crime and disorder**

There are no specific crime and disorder issues arising from this report.

### **2.8 Environment and sustainability**

There are no environment and sustainability issues arising from this report.

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# Internal Audit Service

## Quality Assurance and Improvement Programme (QAIP)

May 2023



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## 1 Introduction

- 1.1 A Quality Assurance and Improvement Programme (QAIP) enables an evaluation of the internal audit activity's conformance with the Internal Professional Practices Framework (IPPF), Definition of Internal Auditing and Standard 1300 within the Public Sector Internal Audit Standards (PSIAS) 2017 and an evaluation of whether internal auditors apply the Code of Ethics.
- 1.2 The QAIP also assesses the efficiency and effectiveness of the internal audit activity with the primary objective to promote continuous improvement to enable Internal Audit to meet its mission. The mission of internal audit, which is defined in the PSIAS and included in the Authority's Internal Audit Charter, as:

*"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight."*

- 1.3 PSIAS standard 1310 establishes that the QAIP must include the results of both internal and external assessments.

## 2 Benefits of a QAIP

- 2.1 The QAIP has been established to provide assurance to internal audit's stakeholders that its service:
- Conforms with the mandatory guidance of the IPPF
  - Has a disciplined risk-based, efficient and effective approach to the internal audit activity
  - Has a credible standing within the organisation
  - Anticipates, meets and exceeds stakeholder expectations
  - Supports, develops and retains good internal auditors
  - Performs its work in accordance with its Charter
  - Adds value to the organisations it serves

### 3 Internal Assessments

3.1 PSIAS standard 1311 outlines internal assessments requirements which must include:

- Ongoing monitoring of the performance of the internal audit activity
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices

#### Ongoing Monitoring

3.2 Ongoing monitoring of audit activity is undertaken as a routine part of service delivery and management of the team. Specifically, the requirements of the standard will be met through the activities in the table below.

Ref	Activity
OM1	Standardised working papers and practices to ensure consistency
OM2	Supervision of all audit activity through its lifecycle
OM3	Quality assurance of audit activity including completion of a 'file feedback' form for all main audits. This included assessment of the activity against the following main headings: <ul style="list-style-type: none"> <li>○ Technical content and recommendations</li> <li>○ Evidence and factual accuracy</li> <li>○ Disposals (rationale / outcome of a testing area)</li> <li>○ Quality of report / communication</li> <li>○ Time management (budget and delivery date)</li> </ul>
OM4	Trend analysis of all 'file feedback' outcomes to identify strengths and development opportunities
OM5	Review of all draft reports by the Chief Internal Auditor or Group Assurance Manager before issue
OM6	Regular 1-2-1 meetings with all auditors to discuss performance including delivery of audit plan work allocated. The meetings are aligned to the corporate Individual Performance Review framework.

OM7	Informal monitoring of delivery of actuals against plan by Chief internal Auditor and Group Assurance Manager
OM8	Feedback sought from clients at the conclusion of each assignment. The feedback is monitored and any poor score or trends acted upon

### Periodic Assessment

- 3.3 The service operates to an Internal Audit Charter operates to a Charter that mandates compliance with relevant professional standards and specifically the definition of Internal Auditing, the Code of Ethics and the PSIAS.
- 3.4 Periodic assessments are designed to evaluate conformance with these standards and conducted through the activities in the table below.

Ref:	Activity
PA1	Formal review of actual outturn against the plan twice yearly, interim and final, which is reported to Audit Committee in November and May respectively each year
PA2	Reporting of key outcomes from audit activity to Audit committee twice yearly. These reports contain a summary of findings from audit work, including activity completed, reports issued, opinion levels and risks identified
PA3	Annual review of Audit Charter
PA4	The Chief Internal Auditor will confirm to Audit Committee that Internal Audit is organisationally independent on an annual basis
PA5	Risk assessments will be undertaken annually during audit planning process
PA6	Annual self-assessment of compliance with PSIAS which will be reported to the Audit Committee in the Annual opinion report
PA7	Annual assessment of the QAIP which will be reported to the Audit Committee in the Annual opinion report, and include any issues and improvement action

PA8	Annual declarations of interest form all audit staff including confirmation of understanding conformance of PSIAS and code of ethics it sets out
PA9	Process Review and Performance Group led by the Group Assurance Manager
PA10	Bi-annual staff Individual Performance Reviews
PA11	Feedback from Chief Executive and Chair of Audit Committee will be requested for the Individual Performance Review of the Chief Internal Auditor

## 4 External Assessments

4.1 PSIAS standard 1312 sets out that external assessment of conformance with the Code of Ethics and PSIAS must be undertaken at least once every five years by a qualified, independent assessor/assessment team from outside the organisation.

4.2 The standard provides that the external assessment may be accomplished through a full external assessment, or a self-assessment with independent external validation. As document in the Audit Charter the Chief Internal Auditor will identify an appropriate sponsor, and discuss and agree with senior management and the Audit Committee:

- The form of external assessment
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

4.3 As required by PSIAS, the results of external assessments will be reported to senior management and the Audit Committee.

## 5 Communication of QAIP Assessments

5.1 The Chief Internal Auditor is committed to continuous improvement and is responsible implementing the QAIP. However, all Internal Audit staff have a professional responsibility for maintaining quality and will contribute to QAIP.

- 5.2 The results of QAIP assessments will be reported by the Chief Internal Auditor to senior management and the Audit Committee as appropriate:

#### **Internal Assessments**

- Results of ongoing monitoring and periodic assessments will be reported to senior management and the Audit Committee as part of the existing established reporting schedules
- Should there be any required actions from the internal assessments, they will be included within the Annual Opinion, and reported to senior management and Audit Committee
- Any significant area of non-conformance with PSIAS that is identified will also be included in the Annual Opinion, and will be considered for inclusion in the Annual Governance Statement

#### **External Assessments**

- The results of external assessments will be reported to senior management and the Audit Committee
- Should there be any required actions from the external assessment, they will be included in the Annual Opinion, and reported to senior management and the Audit Committee
- Any significant area of non-conformance with PSIAS that is identified will also be included in the Annual Opinion, and will be considered for inclusion in the Annual Governance Statement

## **6 Review of QAIP Framework**

- 6.1 The QAIP framework will be reviewed on an annual basis to ensure that it is fit for purpose and assisting with delivering continuous improvement.
- 6.2 All stakeholders of the service are encouraged to provide feedback on the QAIP in either a formal or informal manner.

**IA/RD/MO**

**May 2023**

**Next Review: April 2024**

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