

## **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.