

Audit Committee Annual Report 2023/24

September 2024



North
Tyneside
Council

Introduction from the Acting Co-opted Chair of Audit Committee

I have been the co-opted Deputy Chair of this Committee since my appointment in September 2022 and Acting Chair since March 2024, when the previous Chair reached their maximum term of office. On behalf of the Committee, I would like to place on record our thanks and gratitude to Malcolm Wilkinson for his significant contribution over 10 years of service and his leadership as Chair in recent years.

I would also like to thank all Elected Members who served on the Committee during 2023/24 and welcome the new members who joined the Committee in May of this year.

As an Authority, our risk profile is constantly changing and evolving as we respond to the challenges facing local government, not least the financial pressures across all of our services. The provision of independent assurance to the Authority has, arguably, never been more important. At its core, our Audit Committee plays a vital role in supporting and maintaining a culture and environment to support the integrity of governance arrangements and the provision of information for decision making for the organisation.

In my experience, this Committee and its members have shown great interest and understanding of their role, and have asked many challenging questions. It is testament to the diligence of the Committee that it embraces and adapts to changes in the risk environment, initiating regular presentations by risk owners to explain wider risks to the Committee and encourage challenge.

At times of uncertainty, transparency is of heightened importance, so I hope this annual report from Audit Committee, on its work and how it has met its agreed Terms of Reference during 2023/24, is a useful source of assurance to Cabinet.

I hope that this report is of interest and helpful to Cabinet and provides an opportunity for you to help guide the work of Audit Committee to ensure we

continue to develop a vital assurance link for the organisation and in turn, residents, businesses, and all those who live or work within the borough.

Dr Stuart Green

Acting Co-opted Chair of Audit Committee

1. Introduction

- 1.1 The importance of audit committees in local government has grown and developed in recent years as the sector and organisations continue to adapt to ever changing and evolving risks and challenges.
- 1.2 Guidance on the operation of audit committees in local government is provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, within 'Audit Committees – Practical Guidance for Local Authorities and Police' and 'Position Statement on Audit Committees in Local Authorities and Police 2022' (the Position Statement).
- 1.3 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and was prepared in consultation with sector representatives. There is an expectation that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 1.4 The Audit Committee (the Committee) in North Tyneside undertakes an annual review of effectiveness. This considers how the Committee complies with the Position Statement and in doing so assesses its performance and whether it has discharged its responsibilities.

2. 2023/24 Audit Committee Review of Effectiveness

- 2.1 The Chair, in conjunction with senior officers, completed the self-assessment against the Position Statement guidance for 2023/24. This was discussed and agreed by the Committee at its meeting in March 2024.

2.2 The self-assessment confirmed that the Committee is operating effectively and, in the main, complies with recommended practice. It should be noted this is recommended practice and there is no impact on compliance with statutory requirements in relation to the two exceptions which are as follows:

- The Committee are responsible for approving the annual statement of accounts. Recommended practice is that the Committee maintains its advisory role by not taking on decision making powers. However, there is no suitable alternative within our existing Committee structure and this responsibility remains with the Committee who benefit from having co-opted members with financial skills and experience to effectively support this process.
- The Committee's annual report is presented to Cabinet. Recommended practice is that the Audit Committee report to full Council as the body charged with governance. This does not impact on transparency or accountability with both Audit Committee and Cabinet papers publicly available.

3. Overview of Compliance with Recommended Practice

3.1 This Annual Report sets out the purpose, model, core functions and membership of the audit committee, its engagement and outputs and impact. Sections 4 – 9 provide Cabinet with headline details around how the Committee has complied with these requirements. A summary of all reports supporting this detail is attached as Annex A.

4. Purpose of the Audit Committee

4.1 The Statement of Purpose in the Constitution recognises that:

- the Committee is a key component of our governance framework and its purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements
- the Committee's role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to all those

charged with governance that those arrangements are effective, and

- the Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

4.2 Accountability arrangements within the Constitution make it clear how the Committee is held to account to ensure it is operating as expected. This annual report being a key component in Cabinet considering the effectiveness of the Committee and demonstrating transparency and accountability to the public through its publication.

5. Independent and Effective Model

5.1 The Constitution establishes the Committee as an advisory committee which, with the exception of approving the financial statement, is independent of executive decision making and scrutiny functions and enables it to provide objective oversight.

5.2 There are protocols in place which allow, if required, the Chair to have constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups, as required. The Committee also have the right to request reports and seek assurances from relevant officers.

5.3 The Committee has 9 members, 7 Councillors and 2 non-voting co-opted members (recommended practice is a minimum of one independent person). The Committee size supported effective discussions throughout 2023/24 with elected and co-opted members bringing their diverse range of knowledge, skills and experience to discussions. The co-opted Chair and Deputy Chair bring a mix of accountancy qualifications, vast knowledge and significant experience in the key activities of the Committee. They also reinforce and demonstrate independence of mind, objectivity, impartiality and probity.

6. Core Functions

6.1 The core functions of the Committee fall within 3 broad areas which are as follows:

- maintenance of governance, risk and control arrangements
- financial and governance reporting, and
- establishing appropriate and effective arrangements for audit and assurance.

6.2 The Constitution sets out the key activities and business of the Committee which covers these 3 broad areas. At the March 2023 meeting the Committee agreed its work programme for 2023/24 which set out the reports and business required to allow it to meet its terms of reference. These reports fall under 4 main areas which are Finance and External Audit, Internal Audit, Risk Management and Counter Fraud. Activity relating to each of these areas in paragraphs 6.3 through 6.16.

Finance and External Audit

6.3 The Committee received and considered a report providing an update on the Authority's compliance with the CIPFA Financial Management Code, which also identified areas where compliance could be further enhanced along with a detailed action plan as to how this would be achieved.

6.4 The Committee received updates throughout the year in relation to the closure of the 2021/22 financial statements. The Committee robustly challenged the External Auditors and Chief Finance Officer around the continued delays in concluding sign off of the 2021/22 accounts and the impact on future years accounts. The delays, which were due to technical issues around the valuation of infrastructure assets and subsequent pension fund revaluations, were national sectoral issues. The External Auditor confirmed on several occasions that the delays did not reflect any local governance issues.

- 6.5 The external audit of the Statement of Accounts for 2021/22 was subsequently concluded during the year, and an unqualified opinion issued.
- 6.6 The Committee received and considered the draft accounts for 2022/23 and were provided with updates on progress, the impact of continued national delays in concluding audits across the sector and consultation around backstop dates for completion of audits. Following robust challenge, the Committee are assured that the Authority is managing any potential reputational risk due to delays.
- 6.7 The Committee received and considered the draft 2022/23 Annual Governance Statement (AGS), which is the main accountability statement for the Authority. The report highlighted no significant weaknesses in governance arrangements and Committee was able to satisfy itself that the AGS properly reflected the risk environment, the actions required to improve it and demonstrated how governance supports the achievement of the Authority's objectives.
- 6.8 The Committee requested an update on the financial position of the Authority in light of a number of authorities being forced to issue Section 114 Notices in relation to their finances. The Director of Resources explained the variety of reasons for particular authorities having to issue a Section 114 Notice, as well as national issues in respect of Local Government finance. He reassured Committee that the Authority was not in such a position to require the issue of a Section 114 Notice although there continued to be a need to ensure that careful budget monitoring was maintained. He also referred to reporting to Cabinet meetings which ensured that members were aware of the situation.
- 6.9 The Committee also met privately and separately with External Auditors.

Internal Audit

- 6.10 The Committee received and considered a range of reports, listed below, from internal audit which allowed it to oversee internal audit's

independence, objectivity, performance and conformance to professional standards. These included:

- The Chief Internal Auditor's Annual Opinion report on the Framework of Governance, Risk Management and Control for the 2022/23 financial year. Committee were assured by the 'satisfactory' opinion which represented a positive assessment of the Authority's control environment.
- The Internal Audit Plan for 2023/24 (approved by the Committee) which detailed the work to be undertaken in respect of governance, risk management and control arrangements during the year.
- Updates on progress against the plan and reports summarising the outcome of internal audit work undertaken throughout the year.
- The Quality Assurance and Improvement Programme (QAIP) which sets out how internal audit evaluates its efficiency, effectiveness and conformance with professional standards, including Public Sector Internal Audit Standards.

6.11 The Committee asked a number of challenging questions of management about matters arising from internal audit work and the actions needed to address these.

Risk Management

6.12 The Committee received and discussed two updates on the Authority's corporate risks which detailed risks, current controls and actions required to further mitigate and manage risks. The Committee were also assured that risks are regularly reviewed by senior management and these are revised to reflect changes in risk profile.

6.13 The Committee also has a programme of risk briefings whereby senior officers / risk owners attend meetings to discuss specific corporate risks in more detail which enables it to enhance its understanding of those risks. The Chief Executive delivered the first briefing of the year to provide assurance that Senior Leadership Team were effectively

considering risk, with subsequent briefings by senior managers covering the Carbon Net-Zero and Pandemic Flu risks.

6.14 Through receiving reports, in depth briefings and detailed discussions with officers the Committee were assured that risk management arrangements are operating effectively.

Counter Fraud

6.15 The Committee received and considered the Counter Fraud Annual report for 2022/23 in May 2024. This included an update on counter fraud work undertaken, which is a combination of both proactive and reactive activity, and the savings generated through this work. The report identified savings of £0.908m relating to work in 2022/23 (£0.103m cashable and £0.805m indirect cashable savings)

6.16 The Committee had a detailed discussion around the report and were assured that counter fraud work is contributing towards both prevention and detection of fraud.

7. Audit Committee Membership

7.1 The Committee demonstrate the characteristics of a good audit committee as set out in the Position Statement as follows:

- All members completed training at the start of the municipal year which covered the key areas of business.
- Members were objective, inquisitive and knowledgeable about the areas considered throughout the year.
- The Chair was strong, independently minded and displayed a depth of knowledge, skills, and interests. They were able to ensure a political open discussion, ensured all business was covered, encouraged a candid approach from all members and maintained focus of the committee on matters of greatest priority.

- 7.2 The overall knowledge and expertise of the Committee allowed detailed, open and frank discussions around matters before the Committee throughout the year.
- 7.3 The Chair is a member of the North East Audit Chair forum which meets 3 times a year and provides Chairs with an opportunity to network, discuss good practice, benchmark performance and receive presentations on key matters in the sector. This provides training for the Chair and also allows good practice elsewhere to be brought back to this Committee.

8. Engagement and Outputs

8.1 The Committee is supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs. To discharge our responsibilities effectively:

- the Committee met five times in the year and are clear on those items to be considered in private and those to be considered in public.
- the Committee met privately and separately with the external auditor and, whilst an option, there was no requirement to meet privately and separately with the Chief Internal Auditor.
- the Chief Finance Officer and Chief Internal Auditor, or their representatives, attended each meeting with the Chief Executive and other SLT members attending periodically to discuss risks.
- the Chair of the Committee also meets with these officers in advance of Committee to discuss reports and receive a wider briefing as to what is happening across the Authority.
- the appointed external auditor should attend each meeting and where this has not happened the Committee has robustly challenged the external auditor and escalated concerns about non-attendance, and

- reporting annually on the work to Cabinet. This report is publicly available through publication for Cabinet which aids with transparency and accountability.

9. Impact

- 9.1 The Committee has effective engagement with the leadership team through activity such as risk briefings, Chair's meeting with the Chief Executive etc.
- 9.2 The Committee does evaluate its impact through the annual review of effectiveness and identifies areas for improvement, for example, the introduction of the risk briefings.

10. Conclusion

- 10.1 The Committee has discharged its responsibilities within its terms of reference and received sufficient, relevant and appropriate information and reports to enable it to do so.
- 10.2 The Committee's self-assessment of effectiveness confirmed it is operating effectively and, in the main, complies with recommended practice.
- 10.3 There are no significant matters arising from the work of Committee which need to be brought to the attention of Cabinet.
- 10.4 Audit Committee is pleased to present this annual report detailing its work during the 2023/24 financial year.

Annex A – Reports considered during 2023/24

Meeting	Report
31 May 2023	<ul style="list-style-type: none"> • Update on Annual Statement of Accounts 2021/22 • Update on Annual Statement of Accounts 2022/23 • Annual Governance Statement Update 2022/23 • Internal Audit Quality Assurance and Improvement Programme (QAIP) • Corporate Risk Management Summary Report, and detailed corporate risk briefing by the Chief Executive • Counter Fraud Annual Report 2022/23 • Key Outcomes from Internal Audit work undertaken between November 2022 and May 2023 • Strategic Audit Plan Final Monitoring Statement 2022/23 • Opinion on the Framework of Governance, Risk Management and Control 2022/23
26 Jul 2023	<ul style="list-style-type: none"> • Update on Annual Statement of Accounts 2021/22 • Draft Annual Statement of Accounts 2022/23 • CIPFA Financial Management Code
27 Sep 2023	<ul style="list-style-type: none"> • Annual Statement of Accounts 2021/22 & 2022/23 • Provisional Audit Results Report 2021/22
15 Nov 2023	<ul style="list-style-type: none"> • Corporate risk briefing – Carbon Net-Zero 2030 • Corporate risk briefing – Pandemic Flu • Strategic Audit Plan Interim Monitoring Statement 2023/24 • Key Outcomes from Internal Audit work undertaken between May and November 2023 • Corporate Risk Management Summary Report
27 Mar 2024	<ul style="list-style-type: none"> • Accounting Policies to be used in the compilation of the 2023/24 Annual Statement of Accounts • Annual Statement of Accounts 2023/24 • Proposed Audit Committee Work Programme 2024/25 • Review of Audit Committee Effectiveness 2023/24 • Internal Audit Plan 2024/25