

Audit and Standards Committee

18 February 2025

(10.00am)

Meeting held in: The Council Chamber, City Hall, Sunderland

Minutes

Present: Dave Willis OBE (Chair)
Councillor Caroline Ball
Councillor Ged Bell
Councillor Ken Dawes
Councillor Louise Fenwick
Councillor Michael Hartnack
Councillor David Herbert
Councillor Mark Mitchell
Councillor John O'Shea
Councillor Ian Patterson
Councillor Julie Simpson
Councillor Alison Smith
Councillor Mark Swinburn
Councillor Alex Watson

In attendance: Eric Richards (Independent Person - Standards)

ASC18/2/25 Apologies for Absence and Substitutes

Apologies for absence were received from:

Councillor Tracy Dodds (Councillor Alison Smith attended the meeting as substitute.)

Councillor John Harrison

Councillor Frank Lott (Councillor John O'Shea attended the meeting as substitute.)

ASC19/2/25 Declarations of Interest

There were no declarations of interest.

ASC20/2/25 Minutes

Resolved that the minutes of the previous meeting held on 17 September 2024 be confirmed as a correct record and signed by the Chair.

ASC21/2/25 Internal Audit Quarterly Update

In September 2024 the Committee had approved the 2024/25 Internal Audit Plan, The Chief Internal Auditor presented a report setting out details of the progress made against the assignments included in the plan. It was noted that the majority of the plan would be completed towards the end of the financial year to reflect the developing nature of the organisation.

Resolved that the progress made in delivering the 2024/25 Internal Audit Plan be noted.

ASC22/2/25 Approach to Review of Effectiveness of Audit and Standards Committee Arrangements

Good practice guidance recommended that the Committee's annual report should include the results of a performance assessment in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose. Following consultation with the Chair, the Chief Internal Auditor proposed that as this would be the first annual review of the effectiveness of the Committee, a desktop review be undertaken to include:

- a. the completion of a draft self-assessment by the Chair and key officers by the end of February 2025;
- b. circulation of the draft self-assessment to members in early March for consideration and comment; and
- c. the presentation of an updated draft, reflecting feedback and comments received from members, to the Committee for discussion and agreement at its meeting in April 2025.

The Chair encouraged members of the Committee to contribute to the review when the draft self-assessment was circulated.

Members noted that the Authority did not currently comply with good practice guidance in that it did not have a dedicated audit committee that was not combined with other functions such as standards. The Chair proposed that members discuss this issue in considering the Monitoring Officer's report in relation to strengthening standards and conduct elsewhere on the agenda. (see Minute AC25/2/25).

Resolved that the proposed approach to completing an annual review of effectiveness of the Audit and Standards Committee be approved.

ASC23/2/25 Audit Completion Report and Auditor's Annual Reports 2022/23 for former North East Combined Authority and North of Tyne Combined Authority

Representatives from the Authority's External Auditors, Forvis Mazars, presented the Audit Completion Reports and Draft Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year.

Subject to the satisfactory completion of closing procedures, the two Audit Completion Reports set out the following conclusions:

- a) the external auditors anticipated issuing an unqualified opinion, without modification, on the financial statements. The proposed audit opinions were included in the Draft Auditor's Annual Reports which included an emphasis of matter paragraph, drawing attention to the disclosures around the demise of the Authorities and the transfer of their functions to the new Mayoral Combined Authority from 7 May 2024.
- b) the external auditors anticipated having no significant weaknesses in value for money arrangements or any recommendations to report in relation to the arrangements that the Authorities had in place to secure economy, efficiency and effectiveness in the use of resources.

The Chair and officers expressed their thanks and appreciation to the External Auditors for their work so that the Authority were likely to receive an unqualified opinion prior to the backstop date of 28 February 2025. This placed the Authority in a strong position to proceed with the 2024/25 financial year end processes. The External Auditors also expressed their thanks to officers for the help and support they had received in undertaking the audit.

The Committee noted that the NTCA audit had identified that some related party declarations were missing and had recommended that declarations be updated and collected annually from all members and reviewed. Members were assured that this issue was being addressed within the North East CA in terms of obtaining declarations from those decision makers required to do so. Whilst Internal Audit would not routinely check related party declarations, they would be audited if they were considered to be a risk.

Resolved that the Audit Completion Reports and Draft Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year be received and noted.

ASC24/2/25 Final Statements of Accounts 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority

The Director of Finance and Investment presented the 2023/24 Audited Statements of Accounts, including Narrative Reports and Annual Governance Statements, for the former North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA). The Statements of Accounts had previously been presented to Cabinet on 28 January 2025 when it had granted delegated authority to the Director of Finance and Investment, in consultation with the Mayor and Chief Executive, to agree any final amendments or changes to the Statements arising from the completion of the external audits and, after taking into account the views of the Audit and Standards Committee.

Officers highlighted a number of changes to the Statements of Accounts since the draft statements had been presented to members at an informal workshop held in November 2024.

Members raised a number of queries in relation to:

- a) the transfer of assets and debt from the former authorities to the new North East CA;
- b) the reasons for significant variations in the former NECA's Pensions Reserve. Officers undertook to provide members with supplementary information to explain the reasons for the variations;
- c) seeking assurances that the former NECA had not lost money on its investment activity. The Chair proposed that the Committee ought to consider in more detail the Authority's Treasury Management Strategy as part of its future work programme.
- d) the reasons for a capital accounting adjustment of £7.336m within the North East Investment Fund Reserve. Officers undertook to provide a written reply.
- e) the number of employees and costs associated with exit packages from the NTCA; and
- f) how the transfer of balances from the former authorities to the North East CA would be accounted for.

The Committee were provided with an indication of the scale of the provisional opening balance sheet for the North East CA as at 7 May 2024. Officers undertook to provide members with further detailed information following the meeting.

Resolved that Director of Finance and Investment be recommended to finalise the Statements of Accounts 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority, subject to any outstanding issues which may arise from the completion of the External Audit.

ASC25/2/25 Strengthening the Standards and Conduct Framework for Local Authorities

The Committee considered a report from the Monitoring Officer which provided an overview of the standards regimes currently in place across the region and presented details of the Government's consultation on proposals to strengthen the standards framework.

Councillor Lott had asked that the matter be considered by the Committee but was unable to attend the meeting. The Chair had therefore discussed the matter with Councillor Lott prior to the meeting. Councillor Lott had expressed his view that there should be:

- a) greater consistency in standards arrangements across the North East CA's constituent authorities;
- b) a national standards authority;
- c) stronger sanctions available to local authorities; and
- d) more support for complainants.

The Chair commented that on the basis of the evidence contained in the Monitoring Officer's report, there already appeared to be a high degree of consistency across the constituent authorities and the North East CA. The Chair noted that the establishment of a national standards authority and the strength of sanctions available to local authorities were matters for the Government to determine and beyond the scope of the Committee. These matters were likely to be clearer once the Government had concluded its consultation exercise. The Committee were interested to know more about the range of sanctions imposed by local authorities.

The Committee acknowledged that combined authorities, due to their strategic role, receive significantly fewer complaints regarding the conduct of its members than local authorities. However, any complaints about regional leaders may be subject to greater public interest. The Authority therefore needed to be prepared and ready to deal with any complaints.

Members considered the advantages and disadvantages of dividing the standards and audit functions between two separate committees within the North East CA. A dedicated audit committee without responsibility for any other functions would comply with audit good practice guidance. However, a dedicated standards committee was unlikely to meet very often due to the historically low number of complaints received. There were therefore advantages in combining the audit and standards functions within one committee which would meet regularly and whose members would develop a knowledge and understanding of the Authority's operation. It was noted that the Audit and Standards Committee may appoint a sub-committee to exercise its standards functions.

The Authority's Independent Person for Standards was invited to share his experiences and views on arrangements for dealing with standards complaints.

Resolved that:

1. the Committee await the outcome of the ongoing Government consultation on strengthening standards and conduct in local government,
2. members of the Committee be encouraged to respond to the Government's consultation as individual councillors,
3. the North East CA's arrangements for dealing with allegations of breaches of its Code of Conduct for Members be circulated to members of the Committee so that they are familiar with the process,
4. the question of whether the standards and audit functions within the North East CA should be exercised by two separate committees be given further consideration should the number of complaints regarding member conduct increase significantly and
5. the Monitoring Officer be asked to obtain and provide members of the Committee with further information from constituent councils regarding the sanctions recently imposed on members.