



North East Combined Authority, Audit and Standards Committee

3 April 2018

(2.10 - 3.15 pm)

Meeting held Sunderland City Council, Civic Centre. Burdon Road. Sunderland. SR2 7DN

Present:

Independent Members: M Scrimshaw (Chair) G Clark (Vice Chair)

Councillors: E Bell (Durham), M Talbot (Newcastle), M Swinburn (Northumberland), G Hobson (South Tyneside) and H Trueman (Sunderland)

BRIEFING SESSION - NORTH OF TYNE

Prior to the commencement of the meeting P Judge delivered a briefing session outlining background information on the North of Tyne (NoT) devolution and implications for NECA and answered questions raised by the members.

The committee asked to be kept updated by email on matters relating to NoT/ NECA boundary changes.

35 APOLOGIES FOR ABSENCE

Apologies for absence were received from S Gardner (Independent Person)

36 DECLARATIONS OF INTEREST

None

37 MINUTES/NOTES OF PREVIOUS MEETINGS:

(a) 4 July 2017

RESOLVED – That the Minutes of the meeting held on 4 July 2017 be approved as a correct record and be signed by the Chair.

(b) 12 September 2017 - Inquorate Meeting

RESOLVED – That the notes of the inquorate meeting held on 12 December 2017 be approved as a correct record and be signed by the Chair.

(c) 5 December 2017 - Inquorate Meeting

RESOLVED – That the notes of the inquorate meeting held on 5 December 2017 be approved as a correct record and be signed by the Chair.

38 **APPOINTMENTS OF INDEPENDENTS / NON COUNCIL MEMBERS**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which invited the committee to endorse the procedure and principles relating to the recruitment of independent members to NECA Committees; where the NECA Constitution required such appointments.

The Monitoring Officer introduced the report, highlighting that a standardised process would underpin good governance and provide clarification of expectations on all sides.

During discussion, the following points were made:

- Confirmation was provided that self-assessment exercises had been previously been undertaken.
- A member of the relevant committee should be a member of the selection panel, and should Chair that panel unless there was a good reason why this should not happen.
- Clarification was given to the suggested periods of office. The External Auditor agreed to share charities information relating to periods of office with the Monitoring Officer.

RESOLVED – That the committee:

- (i) Endorsed the standard process to be followed for the recruitment and selection of independent members to NECA Committees, including the proposals in relation to committee self-assessment
- (ii) Agreed that a member of the relevant committee should be a member of the selection panel, and should Chair that panel unless in the opinion of the Monitoring Officer it would be improper for them to do so

39 **PROPOSALS FOR THE JUNE CONSTITUTIONAL REVIEW**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which discussed proposed changes to the NECA Constitution and invited the committee to comment upon the proposals.

The Monitoring Officer introduced the report, highlighting that the reasons for the changes; the next steps and the timetable for implementation.

During discussions, the following points were made:

- Changing the committee's title to Audit and Standards would ensure clarity around its role and remit.
- Confirmation was provided that:
 - If complaints were received relating to NECA then it was this committee's responsibility to deal with.

- The Governance Sub Committee would also be renamed to Audit and Standards Sub Committee.
- The standards rules applied to Independent Members, as well as Elected Members
- Reference was made to the importance of creating unanimity in moving forward. This was due to potential contentious issues to be discussed in the future. Therefore, setting a clear process and having a workable, robust constitution was essential.
- Confirmation was provided that if the changes were endorsed by the committee the amendments would be prepared and presented to the Leadership Board in June 2018 for approval.
- Reference was made to possible future implementation of communicating approval in writing on specific decisions rather than the member attending. A comment was raised that electronic voting should be considered.

RESOLVED – That the committee:

- (i) Endorsed the proposals for changes to the Constitution by the Leadership Board at its annual meeting in June 2018; noting the changes necessary would be dependent upon whether a Secretary of State’s Order had been made amending the boundaries of the Combined Authority by that date.
- (ii) Discussed and agreed the proposals set out at paragraph 2.4 to 2.5 in the report to reduce the quorums of both the Governance Committee and Overview and Scrutiny Committee to 50%.

40 **NORTH OF TYNE GOVERNANCE UPDATE**

Submitted: Report by Monitoring Officer (previously circulated and a copy attached to official minutes), which provided the committee with an update on the recent consultation on North of Tyne proposals, including the creation of a North of Tyne Combined Authority following the amendment of the current North East Combined Authority (NECA) boundaries. In addition, the report discussed a draft Order received from the Secretary of State giving effect to the amendment of NECA boundaries, the creation of the North of Tyne Mayoral Combined Authority, the creation of Joint Transport governance arrangements and similar matters and comments upon the governance implications.

The Monitoring Officer introduced the report, highlighting the current position and the fact that the consent of the NECA was a statutory obligation and must be satisfied before the Secretary of State can make an order.

During discussions the following points were made:

- The committee noted that references to NECA and NoT in the report should be read as North East Combined Authority (NECA) and North of Tyne Mayoral Combined Authority (NTMCA), respectively.
- Concern was expressed about the executive body arrangements in Article 12. A request was made that the committee receive a paper on transport governance and the governance relationship with NEXUS.
- Clarification was provided about:

- The understanding of Article 10 (2) Joint Transport Committee and the possible creation of a subcommittee that would include members of the constituent councils who were not members of the Combined Authorities.
- The membership and quorum proposed for the Joint Transport Committee.
- The appointment of a proper officer for the Joint Transport Committee.

RESOLVED – That the committee noted the report.

41 **ACCOUNTING POLICIES FOR 2017/18 ACCOUNTS AND CODE OF PRACTICE UPDATE**

Submitted: Report by the Finance Officer (previously circulated and a copy attached to official minutes), which updated members on the Authority's Accounting Policies to be applied in the preparation of the Statement of Accounts for 2017/18 and provided an update on changes to accounting and reporting standards and guidance which may have an impact on the Authority's accounts this year and in future years.

The Senior Accountant introduced the report asking the committee to note that there would be a faster close update of the NECA accounts for 2017/18.

The Chair asked that in future, if there was no change to the Accounting Policies then these documents should not be circulated with the report.

RESOLVED - That the committee reviewed the Accounting Policies presented and approved their use in the preparation of the 2017/18 Statement of Accounts.

42 **EXTERNAL AUDIT PROGRESS UPDATE - AUDIT STRATEGY MEMORANDUM**

Submitted: Report by External Auditor (previously circulated and a copy attached to official minutes) which presented the Audit Strategy Memorandum of the External Auditors to NECA, Mazars.

The External Auditor introduced the report, highlighting the audit plan in respect of the audit of NECA for the year ending 31 March 2018. In responding to a query raised, he confirmed that Mazars had in the past worked well alongside other External Auditors, so could not foresee any issues working with EY in the future. He clarified the statement in Appendix B – Forthcoming Accounting and Other Issues – '*potential lead to significant work being required in order to identify all leases which NECA were party to*', following the anticipated new leasing standard, which was to be adopted for 2019/20 financial year.

The committee noted that NECA had no leases at present as well as noting that a rebate had been received from the national auditing body of £3,610.

RESOLVED - That the committee received the report as attached at Appendix 1.

43 **DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18**

Submitted: Report by Audit, Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with information on the outcome of the annual review of the Authority's governance and internal control arrangements.

The Audit, Risk and Insurance Manager introduced the report, explaining that the review highlighted one area which required improvement around committee meetings being inquorate. This area for improvement would be disclosed within the 2017/18 Annual Governance Statement (AGS). A copy of the draft Annual Governance Statement was provided at Appendix 1. If there were amendments to be made to the Annual Governance Statement, these be circulated to the committee prior to sign off by the Head of Paid Service and Chair of the Combined Authority.

The Chief Finance Officer updated the committee on the discussions to put in arrangements to improve the management and oversight of the tunnels.

A brief discussion took place on the Combined Authority Risk Management Strategy and strategic risk register and the future arrangements once North of Tyne Mayoral Combined Authority was established. The committee noted that there would need to be separate registers created but some connectivity between the two.

In response to a request for further information on the decision making/governance arrangements for Transport for the North, the Managing Director (NEXUS) be invited to a future meeting to deliver ½ hr briefing session to be held immediately prior to the meeting.

RESOLVED – That the committee:

- (i) Agreed the draft 2017/18 Annual Governance Statement narrative and considered the evidence provided to support its production.
- (ii) Acknowledged the area requiring improvement as attached to the report at Appendix A.
- (iii) Acknowledged that the Statement would be subject to further review in July 2018, following the completion of the external audit of the accounts before it was signed by the Head of Paid Service and Chair of the Combined Authority.

44 **INTERNAL AUDIT PROGRESS REPORT 2017/18 AND AUDIT PLAN 2018/19**

Submitted: Report by Audit, Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with progress against the delivery of the 2017/18 internal audit plan; information on the implementation of audit recommendations: and approve the 2018/19 internal audit plan.

The Audit, Risk and Insurance Manager introduced the report, highlighting the progress with ensuring NECA was compliant with GDPR by 25 May 2018. On a point of clarification, he confirmed that 10 days allocated in the 2018-19 Audit Plan against pedestrian and cycle tunnels would be backward looking but would include lessons learned from the project.

RESOLVED – That the committee noted the report.

45 **STRATEGIC RISK AND OPPORTUNITIES REGISTER**

Submitted: Report by Audit Risk and Insurance Manager (previously circulated and a copy attached to official minutes), which provided members with an update of the Strategic Risks and Opportunities for the North East Combined Authority.

Audit, Risk and Insurance Manager introduced the report, highlighting the committee's role to fulfil an ongoing review and assurance in relation to governance and internal control issues. In responding to a query raised on whether a strategic risk on compliance with GDPR should be included in the register, he confirmed that now, this was not a risk. He offered to share with the committee, when it was available, the learning from the GDPR exercise which was being carried out to develop an information asset register.

RESOLVED – That the committee reviewed the outcome of the strategic risk review and noted the report.

46 **DATE AND TIME OF MEETINGS 2018-19**

Monday 30 July 2018 at 10.00am at North Tyneside Council

Future meetings provisionally scheduled but to be confirmed by NECA Annual General Meeting in June 2018:

Tuesday 4 September 2018 at 10.00am

Tuesday 4 December 2018 at 10.00am

Tuesday 2 April 2018 at 10.00am