

North East Combined Authority, Governance Committee

10 July 2015

(2.00 pm - 4.05 pm)

Meeting held Sunderland Civic Centre, Burdon Road, Sunderland, Tyne and Wear, SR2 7SN

Present:

Independent Member: M Scrimshaw (Chair) G Clark (Vice-Chair)

Councillors: E Bell, B Coates, A Dale, H Franks, G Hobson, J O'Shea
and H Trueman

1 WELCOME AND INTRODUCTIONS

V Geary advised the Committee about the newly appointed positions of the Chair and Vice Chair of Governance Committee, stating that Mark Scrimshaw had been appointed as Chair and George Clark had been appointed as Vice Chair. Both appointments were for a three year period.

The Chair explained that both he and the Vice Chair had also been appointed as Independent Chair and Vice Chair of NEXUS Audit Committee. He then welcomed everyone to the meeting, particularly Councillor G Hobson, South Tyneside representative and Adam Wilkinson, newly elected Head of Paid Services. Brief introductions were provided.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms Gardner, Independent Person

3 DECLARATIONS OF INTEREST

None

4 MINUTES OF PREVIOUS MEETING HELD ON 27 FEBRUARY 2015

RESOLVED – That the Minutes of the previous meeting held on 27 February 2015 were agreed as a correct record and signed by the Chair.

5 OUTTURN AND DRAFT FINANCIAL STATEMENTS 2015/16

Submitted: Report by Chief Finance Officer (previously circulated and a copy attached to official minutes), which provided the Committee with a summary of the NECA financial results for 2014-15; the draft accounting statements and an overview of significant financial matters, which occurred during the year. In addition, the report of the External Audit, Deloitte, which set out the plan for the Audit and the particular risk areas they had focussed on.

P Woods introduced the report summarising the key points.

Clarification was given around the Government funding; timescales; allocations and the monitoring arrangements. P Woods indicated that there were numerous documents that could be shared with the Committee and agreed to have a conversation with the Chair and Vice Chair on what assurance information should be circulated to the Committee.

An explanation was provided about the NELEP investment appraisal and prioritising model tool, with a request being made for a copy of this to be circulated to the Committee.

An explanation was provided about the controls and risks associated with project funding. It was suggested that information on this should be provided to Committee.

At this part of the discussions, the two representatives from Deloitte summarised the key developments and the more significant matters that had been considered by them in producing the Audit Plan. In addition, they appraised the Committee about their approach and commented on the significant audit risks that had been identified. Questions were raised and responses provided on the accounting periods; the proposals around managing any fraud attempts to override controls; the risks associated with the transfer of opening balances of the LEP to NECA and how this should be tested to ensure accuracy.

RESOLVED – That the report be received and noted.

6 **INTERNAL AUDIT PLAN 2015/16 - 2017/18**

Submitted: Report by Audit Risk and Insurance Service Manager (previously circulated and a copy attached to official minutes) which provided members with a draft internal audit annual plan for the Combined Authority for 2015-16 and 2017/2018.

P Slater introduced the report, drawing member's attention to the detail contained within Appendix 1. He confirmed that there was sufficient time allocated to the proposed Audits as additional time was always included as a contingency.

Clarification was provided on the delivery of the concessionary travel audit by NEXUS, particularly in light of the Durham and Northumberland arrangements and costs.

A query was raised around the scope of the Tyne Tunnel audit. It was explained that this had not yet been established as information was awaited from the conclusion of the annual review scheduled in 2016.

RESOLVED – That:

- (i) The Annual Internal Audit Plan for 2015-16 be approved.
- (ii) The proposed audits for 2016-17 and 2017-18 be noted.

- (iii) The Committee agreed to receive regular reports on activity undertaken against the audit plan during the year.

7 **ANNUAL GOVERNANCE STATEMENT 2014/15**

Submitted: Report by Audit, Risk and Insurance Service Manager (previously circulated and a copy attached to official minutes) which provided a draft annual governance statement for the Committee to consider for its inclusion into the accounts.

P Slater introduced the report and provided clarification on the arrangements for the management of risks. He confirming that the risks considered at the previous meeting had been agreed and further details attached to them by the Economic Directors Statutory Officer Group.

(Councillor H Trueman left the meeting at 3.20pm)

A discussion took place around the need to highlight somewhere within the Annual Governance Statement the risks and their levels of assurance for public transparency. It was suggested that a website link be included in the Statement, directing the public to the published Risk Register. As this was not yet established, it was agreed a website link to the Governance Committee minutes should suffice.

RESOLVED – That the Annual Governance Statement be agreed subject to review in September 2015 before being signed by the Head of Paid Service and Leader of the Combined Authority.

8 **INTERNAL AUDIT ANNUAL REPORT INCLUDING QUARTER 4 PROGRESS**

Submitted: Report by the Audit, Risk and Insurance Service Manager (previously circulated and a copy attached to official minutes), which provided members with the progress against the delivery of the 2014-15 internal audit plan; information on the implementation of audit recommendations and an opinion on the effectiveness of NECA's control environment during 2014-15.

P Slater introduced the report, summarising the audit activity and respective recommendations arising.

On a point of clarification, P Woods reported upon the current arrangements for financial management audit activity. In addition, he briefly explained some of the difficulties around the collation of information from all the Combined Authority Councils and the problems around the compilation of the financial records the budget monitoring. He pointed out the need to formalise current service level arrangements.

A Wilkinson informed the Committee about the review of the current position and the work being undertaken on resource mapping and costs which would explain whether the current NECA support arrangements were fit for purpose. Reference was made to the devolution agenda and a brief discussion took place on the need to establish clarity on the direction of travel for devolution and the associated risks.

Reference was made to the terminology being used for indicating the level of assurances against audit activities, with a request for consistency to be established.

P Slater indicated that there was a requirement to have an Audit Charter to comply fully with controls, explaining that this would be drafted and presented to Committee for approval.

RESOLVED – That the internal audit activity to date be noted.

9 **STRATEGIC RISKS AND OPPORTUNITIES - DEVELOPMENT OF A STRATEGIC RISK REGISTER AND NEXT STEPS**

Submitted: Report by Audit, Risk and Insurance Service Manager (previously circulated and a copy attached to official minutes) which provided the Committee with a summary of the risks and opportunities endorsed by the Economic Directors Group and the Statutory Officers.

P Slater introduced the report, summarising the risks and opportunities detailed in Appendix 1.

In response to points raised, it was suggested that a copy of the Risk Score Matrix should be circulated to the Committee, alongside a copy of the Risk Management Policy and Strategy, which had previously been discussed by the Committee. It was also agreed that a copy of all NECA Risks should be presented at the next meeting of the Committee and regular updates to be provided to Committee on their direction of travel.

RESOLVED – That the Committee:

- (i) Acknowledged and agreed the strategic risks and opportunity areas that have been identified.
- (ii) Agreed to a summary of the Combined Authority risks and opportunities being circulated to the Chief Executives and Leadership Board.
- (iii) Instructed Newcastle City Council's Audit, Risk and Insurance Service Manager to engage with lead officers to ensure mitigation plans (Next steps) were delivered.

10 **DATE AND TIME OF NEXT MEETING**

The Chair thanked the officers for all their efforts in producing the reports.

Friday 11 September 2015 at 2.00pm at Durham.