

Audit Completion Certificate issued to the Audit Committee of Northumberland County Council for the year ended 31 March 2020

In our auditor's report dated 25 August 2021, we explained that the audit could not be formally concluded until we had completed our work:

- to give our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Council for the year ended 31 March 2020.

This work has now been completed.

Audit of the financial statements

Except for the matters referred to below, no matters have come to our attention since 25 August 2021 that would have a material impact on the financial statements for the year ended 31 March 2020 on which we gave our unqualified opinion.

Our audit of the financial statements for the year ended 31 March 2021 identified:

- A material disclosure error in Note 19 'Financial Instruments' in that the Council had incorrectly excluded their loans to their subsidiary company, Advance Northumberland, from financial instruments. This had no impact on the values included within the primary statements. The Council has restated the prior period comparatives at 31 March 2020, in the 2020/21 financial statements to correct this error.
- A material error in relation to the value of property, plant and equipment (other land and buildings) in relation to the incorrect application of the Modern Equivalent Asset valuation methodology applied to schools. The Council has restated the prior period comparatives at 31 March 2020, in the 2020/21 financial statements and related disclosures to correct this error.
- A material error in relation to the value of 'Infrastructure Assets' following completion of a Council review, resulting in the removal of several infrastructure assets from the accounts. The Council has restated the prior period comparatives at 31 March 2020, in the 2020/21 financial statements and related disclosures to correct this error.
- A material error in relation to the value of group usable and unusable reserves to recategorise the wholly-owned subsidiary's (Advance Northumberland) revaluation reserve from an unusable reserve to a usable reserve. The Council has restated the prior period comparatives at 31 March 2020, in the 2020/21 financial statements and related disclosures to correct this error.

If these errors had come to our attention at the time of undertaking the 2019/20 audit, we would have asked management to amend the financial statements, and if they had not done so, we would have considered the implications for our audit opinion in respect of these matters.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are not satisfied that, in all significant respects, Northumberland County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2020.

Basis for adverse conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether Northumberland County Council had proper arrangements to ensure they took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Northumberland County Council put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Northumberland County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

In seeking to satisfy ourselves that Northumberland County Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered:

- Notices issued by the Council's Section 151 Officer under Section 114 of the Local Government Act 1988 in May 2022, including the results of follow-up investigations.
- The Independent Governance Review report issued by SOLACE in June 2022, including follow-up investigations.

In light of ongoing concerns around several areas of corporate governance, expressed by members and officers, in February 2022, the Council commissioned SOLACE to undertake an independent corporate governance review of the Council covering:

- The operation, culture, and structure of the organisation.
- The effectiveness of political and organisational leadership.
- The capacity and/or capability to provide the organisation with clear and effective strategic direction.
- Use of resources and the impact of governance on the organisation's ability to deliver best value.
- The impact of corporate governance on service delivery.
- The culture of openness, transparency, and trust within and between the officers and members.
- Openness to challenge.
- Effective engagement with external partners.

The SOLACE report, which was reported to full Council on 8 June 2022, identified numerous and wide-ranging significant weaknesses in the Council's arrangements for taking informed decisions, issues in relation to Member and officer behaviour and made several recommendations to address these issues.

Separately to the SOLACE report, on 23 May 2022, the Chief Finance Officer of the Council issued a formal report to the Council under sections 114 and 114A of the Local Government Finance Act 1988 as the Council had incurred unlawful expenditure in relation to:

- An unincorporated partnership which traded otherwise than through a company with all of the related income and expenditure recorded in the Council's accounts. This represented a breach of Section 4(2) of the Localism Act 2011.
- A special "international allowance" of £40,000 per annum to the former Chief Executive, , which was not properly authorised and was in contravention of the Council's pay policy statements. This represented a breach of Section 41 of the Localism Act 2011 and s112(2A) of the Local Government Act 1972.

Follow-up investigations into exit packages have highlighted further evidence of weaknesses in processes for the approval of exit packages, non-compliance with processes in place and unlawful expenditure, leading to a Section 5 report by the Monitoring Officer in March 2024.

These matters are evidence of weaknesses in proper arrangements for taking informed decisions.

Responsibilities of Northumberland County Council

Northumberland County Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Northumberland County Council has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Northumberland County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources are operating effectively.

Certificate

We certify that we have completed the audit of Northumberland County Council for 2019/20 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



Cameron Waddell
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For and on behalf of Forvis Mazars LLP

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29 August 2024