

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE

29 JANUARY 2018

PRESENT: Councillor H Haran (Chair)

Councillors: J Green, L Green, J McElroy, J Turnbull,
N Weatherley and Mr Stuart Bell (Independent Member)

APOLOGIES: Councillor J McClurey, G Clark and B Jones

ASC96 MINUTES

The minutes of the last meeting of the Committee held on 2 October 2018 were approved as a correct record.

ASC97 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC98 EXTERNAL AUDIT: ANNUAL AUDIT LETTER 2016-17

The external auditor's Annual Audit Letter 2016-17 provides a summary of the external auditor's work and findings for 2016-17 in respect of: -

- Audit of the financial statements
- Value for Money conclusion
- Other reporting responsibilities
- Fees
- Future challenges

RESOLVED - That the contents of the external auditor's Annual Audit Letter be noted.

ASC99 EXTERNAL AUDIT: AUDIT PROGRESS REPORT

The audit progress report by Mazars sets out progress in delivering their responsibilities as external auditor.

The report outlines the 2016/17 audit, 2017/18 audit, and national publications and other updates.

The Committee was advised that in respect of the 2016/17 audit there had been an objection received from a member of the public in relation to the Lender Option Borrower Option (LOBO) loans held by the Council. This objection had been looked

into by Mazars. The Council had 12 loans of this nature and it had the requisite documentation for them for the last ten years. The loans were considered to be value for money. The objector had been advised of this outcome and had not contacted Mazars any further.

In response to a reference to a query about materiality, the Committee was advised that the external auditor did not report on materiality less than £325,000 and the Council did not need to change it. However, the Council always made the necessary changes to address such cases. Above that amount the auditors did report instances of materiality and in cases of accumulative materiality the auditors would ask for the accounts to be changed. Once again the Council has always made the necessary changes. In cases of materiality above £8m the accounts would be qualified if the necessary changes were not made to them

The Committee was informed that Mazars had been appointed as the Council's external auditors for the next five years.

The Committee was reminded that the statutory deadline for completion of the accounts changed from 30 September to 31 July year. The Council has completed its Statement of Accounts early in the last two years in "dry runs". Councillors were advised that as all authorities now had to meet this new deadline Mazars would be facing a massive challenge but it would be staffed appropriately to meet this. Gateshead would be well placed this year given its experience of meeting the earlier deadline in the last two years.

RESOLVED - That the contents of the external auditor's progress report be noted.

ASC100 CORPORATE RISK MANAGEMENT 2017/18 - QUARTERLY REPORT TO 31 DECEMBER 2017

The Committee received an update on developments in Corporate Risk Management during the period 1 October to 31 December 2017 in compliance with the requirements of good corporate governance.

The Action Plan for the delivery of the Developmental Objectives for 2017/18 incorporating progress to date shows work is progressing as per the plan and further details about the specific areas are covered below.

The draft Strategic Risk Register was presented to the Corporate Management Team to ensure all risks and controls have been included and are accurate and up to date. It was agreed that all risks had been identified and included within the draft register, however, a review of some of the controls was requested to ensure it focused on the control not the output.

The draft Council pledges are currently subject to public consultation. It was agreed that, where appropriate, these should be referenced within the Strategic Risk Register.

The amendments have subsequently been made to the Strategic Risk Register and the revised register will be presented to the Corporate Management Team for comment once the outcome of the public consultation on the Council's pledges has been received to ensure any changes to the pledges, resulting from the consultation have been included.

Once the outcome of the public consultation is known the revised draft will be taken to Corporate Management Team for comment and then will be presented to the Audit and Standards Committee for comment and recommendation to Cabinet.

A new crime has been introduced in the Criminal Finance Act 2017, the failure to prevent the criminal facilitation of tax evasion, which took effect from 30 September 2017.

The Act is likely to impact primarily on higher risk organisations such as those in the finance industry but the Corporate Risk Management team are co-ordinating a risk assessment of all Council services to ensure procedures are in place and have been effectively communicated for any areas where this type of crime could be attempted.

A standard risk assessment template has been developed by the Corporate Risk Management Team for completion by Services. The templates gather information on the potential risk and the mitigating controls currently in place.

Once completed the templates will be collated and reviewed by the Corporate Risk Management Team to ensure the controls in place are satisfactory. Where additional controls are required, the implementation process will be monitored and progress reported to the Risk and Resilience Group.

The Risk and Resilience Group met 24 January and the following items were discussed:

- Risk Management and Business Continuity Plans:
 - Update on the changes to the draft Strategic Risk Register
 - Annual review of operational risk registers
 - Annual review of business continuity plans
 - Update on changes to the draft Strategic Risk Register
 - Completion of templates relating to the Criminal Finance Act 2017
- Resilience and Emergency Planning:
 - Gateshead modern slavery, trafficking and exploitation – concept of operations
 - Local Resilience Forum – training and exercise programme review of the previous 12 months
 - Exercise Border Reivers
 - Refresh of the Strategic Resilience and Emergency Planning Framework

RESOLVED – That the information be noted.

The Committee has been provided with details of the outcome the recent review of the Council's overall Counter Fraud and Corruption Arrangements, including the revised Counter Fraud and Corruption Policy and Fraud Response Plan and the proposed Counter Fraud and Corruption Strategy.

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption states that an organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

It is recognised that to minimise losses to fraud and corruption, a strategic approach with a clear remit covering all areas of fraud and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

Since 2011 the Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan, but had not documented the overarching strategy. The Council's draft Counter Fraud and Corruption Strategy clearly identifies the Council's commitment to an effective Counter Fraud and Corruption approach, as part of its overall Corporate Governance arrangements. The draft strategy outlines the principles the Council is committed to in preventing and reporting fraud and corruption.

Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Committee.

An annual report will be provided to the Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.

A Counter Fraud and Corruption Policy and Fraud Response Plan forms an important part of the Counter Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework.

The Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan since 2011. A part of this review both documents have been updated to take account of current best practice and guidance.

The Counter Fraud and Corruption Policy outlines the Council's attitude to and position on, fraud and corruption and sets out responsibilities for its prevention and detection. It also communicates important deterrence messages to employees, councillors, and third parties that fraudulent conduct will not be tolerated by the Council and that the stance against fraud is endorsed and supported at the most senior level.

The Fraud Response Plan details the Council's procedures for responding to any

incidents of suspected fraud or corruption. The Plan sets out how suspicions should be raised and how investigations will be conducted and concluded.

In response to a query on how these documents would be shared with employees, the committee was informed that they would be subject to a report to the Council's SMG Services and Performance and then to Cabinet. Following this they would be the subject of employee briefings. It is intended that a six monthly report will be presented to this Committee providing updates on the work of the Corporate Fraud Team.

The Chair suggested that this topic could form a theme for the Committee to consider at a future meeting or form the basis of a councillors' seminar.

RESOLVED - That the Counter Fraud and Corruption Strategy, Counter Fraud and Corruption Policy, and Fraud Response Plan be approved.

ASC102 LOCAL CODE OF GOVERNANCE

The Council has a local code of governance, which was originally presented to the Audit Committee in April 2007. The document was developed from a framework document produced by CIPFA and SOLACE. This has been updated on an annual basis.

The code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services and forms an integral part of the Councils' Annual Governance Statement, which is a legal requirement to demonstrate the level of assurance that can be given by the Council's control systems and governance arrangements.

The Code is essentially based on the Council's existing constitution, protocols and procedures but is updated to include changes to documents and procedures in the previous year.

The Committee was advised in March 2015 that CIPFA was reviewing its framework document to ensure that it remained fit for purpose. CIPFA issued their new Delivering Good Governance in Local Government: Framework along with comprehensive Guidance in April 2016.

The new approach is intended to better assist local authorities, and associated organisations and vehicles through which authorities now work, in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

The new Framework will require a full re-drafting of the Council's Local Code of Governance although the majority of the information contained in the current Code will be pertinent to the new one. However, rather than just attempting a simple transposing of information, to get the best value from the new Framework a new approach was proposed.

The Committee on 6 March 2017 agreed that an iterative and measured

approach be taking to development of the new Framework over the following 6-9 months so that the new Code could be fully populated and in place for March 2018. This would involve:

- creation of a core officer working group
- regular reports to Audit and Standards Committee along with involvement (e.g. by way of workshop sessions) in between
- regular reports to Corporate Management Team and Leadership Team.

It was intended that this approach would enable development of a meaningful and inclusive code whilst communicating the fundamentals of good governance to officers and councillors.

The following actions have been undertaken.

- a core officer working group was established;
- update reports were taken to Corporate Management Team on 29 March and 26 July 2017, along with a full session with the Leadership Team (all Directors) on 10 August 2017. Feedback from all of the sessions was taken into consideration in developing the new code.
- a workshop session was held on 18 September 2017 involving a number of senior members and members of this Committee. Issues arising from the workshop were again taken into consideration in developing the new code.

Taking all of the work into consideration a self-assessment document has been prepared which it is proposed will comprise the Local Code of Governance to be adopted for the future.

The Committee was advised that the Code would be the subject of a councillors' briefing and would also be included in the induction of new councillors and in future training on ethics and probity.

RESOLVED - That the updated Local Code of Governance based on the new CIPFA Framework be approved.

ASC103 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting during consideration of the remaining business in accordance with Paragraph 3 of Schedule 12A to the Local Government Act 1972.

ASC104 INTERNAL AUDIT PLAN 2017/18 - QUARTERLY MONITORING REPORT TO 31 DECEMBER 2017

A report was presented outlining progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2017/18. It also summarised the main findings arising from audit activity throughout the period 1 October 2017 to 31 December 2017.

RESOLVED - That the information be noted.

ASC105 OTHER BUSINESS

The Chair advised the Committee that a presentation would be given at its next meeting on Pandemic Flu and the implications of the Grenfell Tragedy as they relate the strategic risk register (existing and future controls: the failure to provide a response during a major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community).

The Chair invited members to suggest other areas relating to the Strategic Risk Register which could be scrutinised/reviewed in future.

The Chair also informed the Committee that she had asked for a programme of training to be prepared covering the work of the Committee which could involve the participation of all councillors.

RESOLVED - That the information be noted.

ASC106 DATE AND TIME OF NEXT MEETING

The next meeting will be held on Monday 5 March 2018 at 10.00am in Gateshead Civic Centre.

Chair.....