

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 23 July 2018

PRESENT: Councillor H Haran (Chair)
Councillor(s): J Green, L Green, J McElroy, J Turnbull, Mr Stuart Bell (Independent Member) and G Clark

IN ATTENDANCE: Councillor(s):

APOLOGIES: Councillor(s): J McClurey, N Weatherley and B Jones

ASC146 MINUTES

The minutes of the previous meeting, held on 18 June 2018 were approved as a correct record.

ASC147 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC148 QUARTERLY STANDARDS UPDATE

The Committee received a report which will form part of a quarterly update highlighting national and local standards issues.

The Committee also received an update on national reviews and consultations which may be relevant to their role, and agreed that Standards Updates should be rolled out to all councillors in due course.

- RESOLVED -
- i) That the information be noted
 - ii) That a Standards update will be provided on a quarterly basis to the Audit and Standards Committee and then pertinent information be rolled out to all Councillors in due course.

ASC149 ANNUAL REPORT TO CABINET AND COUNCIL 2017/18

The Committee received a report outlining the Annual Report to Cabinet and Council 2017/18, which allows the Audit and Standards Committee to demonstrate the positive impact of its work through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for:

- Maintaining effective internal control
- Risk management; and
- Reporting on financial and other performance

The Committee were advised that the Audit and Standards Committee has received reports in the following areas during 2017/18:

- Internal Audit planning, performance and activity;
- Annual Internal Audit benchmarking results;
- Internal Audit recommendations;
- External Audit planning, performance and activity;
- Corporate Risk Management and Resilience activity;
- Annual Counter Fraud Update
- The Annual Governance Statement and supporting evidence;
- Review of Internal Audit Charter and compliance with Public Sector Internal Audit Standards;
- Annual Audit Letter;
- Achievement of Going Concern Status;
- Audit Completion Report and Council Statement of Accounts;
- Treasury Management Policy and mid-year update;
- Counter Fraud and Corruption Arrangements;
- Risk Management within Resilience and Emergency Planning; and
- Local Code of Governance

The Committee were assured that based on the evidence presented during the year and at the meeting of the Committee on 18 June 2018 it was concluded that the Council's system of internal control and governance framework is effective. This was demonstrated through the approval of the Annual Governance Statement for 2017/18, which accompanies the Statement of Accounts.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee agreed the draft report to Cabinet and Council

ASC150 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2018 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2017/18

The Committee received a report which provided an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2017/18 by the Council's external auditor Mazars.

The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2017/18 and the Council's external auditor, Mazars has issued its report, subject to the completion of outstanding work.

The Audit Completion Report covers:

- The Council's Statement of Accounts including significant findings, internal control recommendations and a summary of misstatements;
- The Council's arrangements for securing economy, efficiency and

effectiveness in its use of resources including a value for money conclusion.

The external auditors report and the Council's Statement of Accounts were tabled as appendices to the main report.

The Committee were advised that although Mazars anticipate completing their work in July, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) work to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts. They also need to review the work of KPMG in respect of external Audit of The Gateshead Housing Company (TGHC) Statement of Accounts in order to be able to place reliance on the TGHC figures incorporated into the Group Accounts.

- EY assurance has now been received which is being considered by Mazars
- In relation to TGHC, KPMG are to provide Mazars with access to their files to allow the necessary Group Accounts work to be completed. It is anticipated that Mazars will receive sufficient assurance from KPMG's files by the Accounts Committee date (Friday 27 July 2018) to allow the Council's accounts to be fully signed off.

The Committee also received an update position verbally from Mazars at the meeting.

The Committee were advised that none of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, not do they affect the position of any usable reserves. Management has assessed the identified uncorrected misstatement as not being material, either individually or in aggregate to the financial statements, and does not plan to adjust.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee noted the contents of the external auditor's Audit Completion Report and Statement of Accounts 2017/18 prior to their submission to the Accounts Committee on 27 July 2018.

ASC151 CORPORATE RISK MANAGEMENT 2018/19 - QUARTERLY REPORT TO 30 JUNE 2018

The Committee receive a report which provided an update on developments in Corporate Risk Management during the period 1 April to 30 June 2018 in compliance with the requirements of good corporate governance.

The Action Plan for the delivery of the Development Objectives for 2018/19 incorporating progress to date was tabled at Appendix 1, and the Committee were advised that work is progressing as per the plan.

The Committee were advised that as previously reported, the Council was required to assess the risks of an employee or associated person facilitating tax evasion, following the introduction of a Corporate Offence contained within the Criminal Finances Act 2017. The aim of the assessment was to ensure that the Council had in place reasonable procedures to prevent the facilitation of tax evasion by its employees or associated persons. To ensure the identified risks continue to be managed effectively, with controls being subject to regular review, the Corporate Risk Officer is now working with the risk owners on the transfer of risks to the Operational Risk Register.

Operational Risks are managed within Services, with the Corporate Risk Officer providing quarterly risk management monitoring information to Group Management Team Meetings. The information contained in the Operational Risk Register is also readily available to Auditors for when they undertake their Audits. Increased risk management guidance and support has resulted in all registered operational risks being reviewed by risk owners within the last 12 months with 96.2% (352 Of 356) of these reviewed within the last 6 months.

The Committee were also advised that the Risk and Resilience Group met on 27 June and the following items were discussed:

Risk Management and Business Continuity Plans:

- Update on Strategic Risk Management
- Update on business continuity plans and collaborative working with emergency resilience team and ICT
- Publishing of Tax Evasion Statement on intranet and communication to employees

Critical ICT systems:

- Prioritisation of applications for scenario planning ongoing

Resilience and Emergency Updates, which included:

- Regent Court, 9 May 2018 – failure of a water main outside of Gateshead Law Courts
- Regent Court Fire – 10 May 2018
- Bedale Court Fire – 20 May 2018
- Oak Square Fire – 22 June 2018

RESOLVED - That The information be noted

ASC152 ACHIEVEMENT OF GOING CONCERN STATUS 2017/18

The Committee received a report to consider the Council's status as a going concern.

The Committee were advised that the Council has a strong record of delivering within budget and achieving savings. During the period 2010/11 to 2017/18 savings of £143m have been identified and substantially delivered.

The Annual Audit Letter from Mazars includes a value for money conclusion, which considers the identification, monitoring and achievement of savings. The last letter issued in relation to 2016/17 concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and issued an unqualified value for money conclusion on 31 July 2017.

The Committee also received details of the Current Position 2017/18, the Future Position 2018/19 Budget and the future position in the Medium Term Financial Strategy (MTFS).

The Committee were advised that in conclusion, based on the assessment undertaken, the Council's Chief Finance Officer's (section 151 officer) view is that the Council is aware of the challenges it faces and is prepared to deliver its services in the future taking account of the future known risks and therefore the Council is a going concern and the Statement of Accounts should be prepared on that basis.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee agreed that the Council is considered to be a going concern based on the assessment in the report and that the accounts are prepared and approved on that basis.

ASC153 ANNUAL GOVERNANCE STATEMENT 2017/18 - INTERNAL AUDIT REVIEW OF MANAGER'S ASSURANCES

The Committee received a report informing the Committee of the outcome of the work by the Internal Audit Service in reviewing the assurances provided by Service Directors to inform the 2017/18 Annual Governance Statement.

The 2017/17 Annual Governance Statement audit was carried out using a theme based approach across the Council. All Service Directors were required to provide evidence to support their declarations made on the Assurance Statement in response to the following questions:

- Trading Opportunities
- Information Governance

The Committee were advised that the audit concluded that systems and controls were operating well and no recommendations were raised.

The overall conclusion of this work, as included in the quarter one update from Internal Audit report, is that the systems and processes for the completion of the Managers' Assurance Statements are operating well and that they provided a good level of assurance for the 2017/18 Annual Governance Statement.

RESOLVED - that the information be noted.

ASC154 AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2017-18

The Audit and Standards Committee Work Programme for the remainder of the municipal year was tabled.

RESOLVED - that the information be noted

ASC155 EXCLUSION OF THE PRESS AND PUBLIC

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

ASC156 INTERNAL AUDIT PLAN 2018/19 QUARTERLY MONITORING REPORT TO 30 JUNE 2018

The Committee received a report outlining progress made by the Internal Audit & Risk Service against the Audit Plan for the financial year 2018/19 and summaries the main findings arising from audit activity throughout the period 1 April 2018 to 30 June 2018.

From the reviews carried out to 30 June 2018 audit work was found to be complying with PSIAS and the Audit Manual.

The year to date performance information is as follows:

- 100% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 72% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.69 against a target of 3.4 (85%)
- The target for implementation of audit recommendations due is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendations due is 100%, with 100% of all high priority and 100% of all medium priority recommendations having been implemented. Further information was tabled as an appendix to the main report.

RESOLVED - that the information be noted

ASC157 DATE AND TIME OF NEXT MEETING

The next meeting will be held on Monday 1 October 2018 at 10.00 am in the Blaydon Room.

Chair.....