

AUDIT AND STANDARDS COMMITTEE AGENDA

Monday, 26 July 2021 at 10.00 am in the Bridges Room - Civic Centre. Attendees are asked to enter the Civic Centre from the car park entrance. Please do not attend the meeting if you have COVID or have COVID symptoms.

From the Chief Executive, Sheena Ramsey

Item Business

1 Apologies for Absence

2 Minutes (Pages 3 - 10)

The Committee is asked to approve as a correct record the minutes of the meeting held on 21 June 2021.

3 Declarations of Interest

Members of the Committee are invited to declare interests in any agenda items.

4 Appointment of Independent Members and Independent Person

Verbal update – Ged Morton, Service Director Legal & Democratic Services

5 External Auditor: Audit Progress Report (Pages 11 - 24)

Report of the Strategic Director, Resources and Digital

6 Annual Report to Cabinet and Council 2020/21 (Pages 25 - 32)

Report of the Strategic Director, Resources and Digital

7 Corporate Risk Management 2021/22 - Quarter 1 Update (Pages 33 - 36)

Report of the Strategic Director, Resources and Digital

8 Exclusion of the Press and Public

The Committee may wish to exclude the press and public from the meeting during consideration of the exempt agenda in accordance with paragraph 7 of Schedule 12A to the Local Government Act 1972.

9 Internal Audit Plan 2021/22 Quarterly Monitoring Report to 30 June 2021
(Pages 37 - 44)

Report of the Chief Internal Auditor

10 Date and time of next meeting

The next meeting of the Committee will be held on Monday 27 September 2021 at 10.00am.

Contact: Helen Conway- Tel: 0191 433 3993 - Email: helenconway@gateshead.gov.uk,
Tel: , Date: Friday, 16 July 2021

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 21 June 2021

PRESENT: Councillor M Charlton (Chair)
Councillors: R Beadle, D Burnett, H Kelly and J McElroy
Mr Stuart Bell and B Jones (Independent Members)

APOLOGIES: Councillors L Green and S Green and Mr G Clark

ASC322 MINUTES

The minutes of the meeting held on 26 April 2021 were approved as a correct record.

ASC323 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC324 CONSTITUTION

The Constitution of the Committee for municipal year 2021-2022 was noted and agreed.

ASC325 REMIT OF THE AUDIT AND STANDARDS COMMITTEE

The remit of the Audit & Standards Committee was noted and agreed.

ASC326 TRAINING AND DEVELOPMENT REQUIREMENTS

The Committee received a report setting out the progress on training and development requirements for the Audit and Standards Committee.

The Committee were also advised of the training undertaken so far, and it is proposed that the training sessions that were postponed and delayed during the lockdown should be rearranged to take place during this municipal year.

In addition, a new Code of Conduct has been agreed by the Council and a Member's Seminar will be arranged. Following the seminar, training on the new Code will be arranged for all councillors and independent members.

All councillors are required to undertake this training once during their term of office. The Code of Conduct training will take place on an annual basis.

Members of the Committee can suggest training topics at any time throughout the year and submit these to Democratic Services. Officers will also consider further

possible training opportunities for the Committee. All suggestions will be discussed with the Chair and Vice Chair in the first instance and will then be raised with the Committee.

In addition, officers will identify opportunities for members of the Committee to attend national and regional events. Any members attending such an event would be expected to give feedback and share any learning materials with the Committee to maximise learning and development opportunities.

- RESOLVED -
- i) That the information be noted.
 - ii) That the proposals as outlined in the report be approved.
 - iii) That officers will the Committee whether there are any additional training or development needs which have not be included.

ASC327 TREASURY MANAGEMENT REPORT 2020/21

The Committee received a report requesting to review the proposed Treasury Annual Report prior to consideration by Cabinet.

In line with what the Government defines as best practice and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Council must consider a Treasury Annual Report each year.

The Committee was asked to review the Treasury Annual Report which was attached at Appendices 2, 3 and 4 to ensure that the Council fully complies with the requirements of good financial practice in Treasury Management and submit any comments to Cabinet.

The Committee noted and agreed that the Treasury Annual Report be submitted to Cabinet for approval.

- RESOLVED - That the Treasury Annual Report be submitted to Cabinet for approval.

ASC328 OVERSIGHT OF MANAGEMENT PROCESSES 2020/21

The Committee received a report detailing how the Audit and Standards Committee exercises oversight of management processes in certain areas of governance in order to provide assurance to the external auditors.

The areas of governance under consideration, together with an explanation of how oversight is exercised by the Audit and Standards Committee was detailed and attached at Appendix A.

- RESOLVED -
- i) That the information be noted.
 - ii) That it be agreed that on the basis of information provided

an effective level of oversight is in place.

ASC329 MEMBERS' ASSURANCE STATEMENTS 2020/21

The Committee received a report informing them of the opinion of members of the Cabinet on the effectiveness of the Council's governance arrangements to feed into the Annual Governance Statement.

Assurance was sought from councillors who served in the Cabinet during 2020/21, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements, by reference to the principles set out above.

All Cabinet members considered that governance arrangements are effective.

- RESOLVED -
- i) That the information be noted.
 - ii) That the assurances of members of Cabinet and the evidence on oversight and endorsed the opinion that the Council's governance arrangements are effective be noted.

ASC330 MANAGERS' ASSURANCE STATEMENTS 2020/21

The Committee received a report informing them of the assurance which Service Directors placed on their contrail systems to feed into the Annual Governance Statement.

The Audit and Standards Committee agreed on 8 March 2021 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from senior managers on the effectiveness of controls they have in place are fundamental within the framework.

Service Directors were asked to complete self-assessments which took the form of a questionnaire covering the processes in place to manage their key control and governance processes. This included a requirement to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance in 19 key areas, with a requirement to detail the evidence to support their assessment.

- RESOLVED -
- i) That the assurances provided by senior managers be noted.
 - ii) That officers will look into succession planning for future staffing needs in due course.

ASC331 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2020/21

The Committee were asked to review the effectiveness of internal audit within the Council for 2020/21.

The Accounts and Audit Regulations 2015 require all authorities to "conduct an

annual review of the effectiveness of internal audit and for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement.

Best practice highlights that “internal audit”, in this context, includes not only the Internal Audit Services but also the Audit and Standards Committee in 2020/21.

The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report later on this agenda, can be relied upon as a key source of evidence in the Annual Governance Statement.

The review of the effectiveness of the system of Internal Audit for 2020/21 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & Governance. The basis of the review is set out in paragraph 5 of the report, and paragraphs 6-13 of the report set out the review process undertaken in each area and the outcomes, including the review of the Audit and Standards Committee which found it to be operating effectively. A copy of this assessment is attached at Appendix B to the report.

Paragraph 14 sets out the key performance indicators for the Service in 2020/21, with all key targets achieved except for the implementation of medium priority recommendations, which at 83% is slightly below the target of 90%.

The Committee also received updates on the self-assessment against the CIPFA Statement on the role of the Head of Internal Audit, the reliance placed upon internal audit by the Council’s External Auditor, and the assessment of the effectiveness of the Audit and Standards Committee.

The Committee were advised that due to the ongoing pandemic, benchmarking exercises were suspended by CIPFA during 2020/21. As previously reported to the Audit and Standards Committee on 28 October 2019, benchmarking for 2019/20 highlighted the Internal Audit Services as being low cost with high productivity in comparison with other local authorities. The service has continued to be low cost and high productivity demonstrating that the Council is receiving value for money from its Internal Audit Service.

Based on the review detailed in the report the Council’s Internal Control Group concluded that the Council’s System of Internal Audit is operating effectively.

- RESOLVED -
- i) That the information be noted.
 - ii) That the opinion that the Council’s system of internal audit is operating effectively be endorsed.

ASC332 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2020/21

The Committee received a report which outlined the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for

further development of risk management arrangements.

- RESOLVED -
- i) That the information be noted.
 - ii) That the Corporate Risk Management Annual Report 2020/21, as shown in Appendix 1, be noted and it be agreed that the Council has effective risk management arrangements in place.

ASC333 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 7 of Schedule 12A to the Local Government Act 1972.

ASC334 ANNUAL COUNTER FRAUD UPDATE 2020/21

The Committee received a report outlining the arrangements that exist within the Council for countering fraud and provided an update on activity undertaken since 1 April 2020 by the Internal Audit and Risk Service in relation to work of the Corporate Fraud Team.

Paragraph 9 of the report gives a flavour of some of the awareness initiatives carried out in year to promote Counter Fraud awareness, and paras 13-17 sets out how potential frauds and irregularities are monitored and reported.

The Corporate Fraud Team received 112 fraud referrals during 2021/21, which for the most part were of a trivial nature or unproven. The referrals related to a variety of fraud types and a full breakdown using CIPFA Benchmarking Categories is shown in Appendix 1.

Paragraphs 23-37 summarise some of the significant areas of proactive fraud work during the year, including Right to Buy where the application of Corporate Fraud Team checks on applications has resulted in the cancellation of 4 applications, saving almost £175,000 of discount. In addition, these properties will remain part of the Council's stock and continue to generate rental income.

One ongoing investigation from last year is currently being concluded with the accused agreeing to a caution, which will be an admission of guilt, and a repayment of a settlement figure of £25,000.

The Committee were also advised that they are currently two ongoing investigations that are being worked on with assistance from Legal and Democratic Services and updates on these will be reported to a future meeting of the Committee.

As a result of the work concluded by the team specifically in relation to Right to Buy it has generated an overall saving of almost £200,000 during 2020/21.

- RESOLVED - i) That the information be noted.
- ii) That it be agreed that the Council has effective counter fraud arrangements in place.

ASC335 INTERNAL AUDIT ANNUAL REPORT 2020/21

The Committee received a report informing them about work undertaken by the Internal Audit and Risk Service during 2020/21, and gives an overall assessment of the adequacy of the Council's internal control systems and governance arrangements to inform the Annual Governance Statement and to provide a summary of the main audit findings.

Paragraphs 4-9 set out the key elements of the Quality Assurance framework for Internal Audit, and paragraphs 11-23 set out the main audit findings. Based on evidence arising from the planned internal audit activity during 2020/21 the Council's internal control systems and governance arrangements are considered to be effective.

This opinion is based on all audit activity throughout the year, which has been reported to the Audit and Standards Committee on a quarterly basis.

Attached at Appendix A was a summary of the audit activity for the year.

For 2020/21, 50 audits (86%) concluded that systems and procedures in place were operating well or satisfactory. 8 audits (14%) concluded that systems and procedures had significant weakness. This audit work has not resulted in any areas for inclusion as future actions for improvement in the Annual Governance Statement for 2020/21.

- RESOLVED - i) That the information be noted.
- ii) That the audit opinion that the Council's internal control systems and governance arrangements are considered to be effective be noted.

ASC336 RE-ADMITTANCE OF THE PRESS AND PUBLIC

RESOLVED – That the press and public be re-admitted for the remainder of the meeting.

ASC337 ANNUAL GOVERNANCE STATEMENT 2020/21

The Committee received a report and were asked to review the evidence of assurances provided on the Council's internal controls, risk management and governance arrangements, and approved the Annual Governance Statement 2020/21, which was appended to the main report.

The Accounts and Audit Regulations 2015 require Councils to produce an Annual Governance Statement giving an assessment of governance arrangements and their

effectiveness. This accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.

Based on the review of the Council's governance arrangements during 2020/21, including the internal control and risk management environments, the opinion is that the Council's governance arrangements continue to be regarded as fit for purpose.

The Annual Governance Statement therefore reflects this opinion and gives details of the evidence obtained to achieve it, actions taken to improve governance following the previous Annual Governance Statement, and an action plan for the next year.

- RESOLVED -
- i) That the information be noted.
 - ii) That the Annual Governance Statement to accompany the Statement of Accounts 2020/21 be approved, prior to it being passed to the Leader of the Council and Chief Executive for signature.

ASC338 PROGRAMME OF MEETINGS 2021-2022

The programme of meetings for the remainder of the municipal year were agreed and noted.

ASC339 DATE OF NEXT MEETING

The next meeting of the Committee will be held on Monday 26 July 2021 at 10.00am.

Chair.....

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Title of Report: External Auditor: Audit Progress Report

Report of: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

- 1 This report requests that the Committee note the external auditor's progress against planned work.

Background

- 2 The report summarises the following:
 - 2020/21 audit progress.
 - National publications.
- 3 The external auditor's report is attached at Appendix A.

Recommendation

- 4 The Committee is requested to note the contents of the external auditor's report.

Contact: Craig Oakes ext 3711

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Audit progress report

Gateshead Metropolitan Borough Council

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July 2021



1. Audit progress
2. National publications

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01

Section 01:

Audit progress

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Audit progress

Purpose of this report

This report provides the Audit and Standards Committee meeting with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent reports and publications.

2020/21 audit

We have completed our Value for Money risk assessment and there are no new risks, other than the financial sustainability risk previously reported in our Audit Strategy Memorandum for 2020/21.

In this quarter we are carrying out our audit work on the 2020/21 financial statements. There are no significant matters to report to you at this stage of the audit.

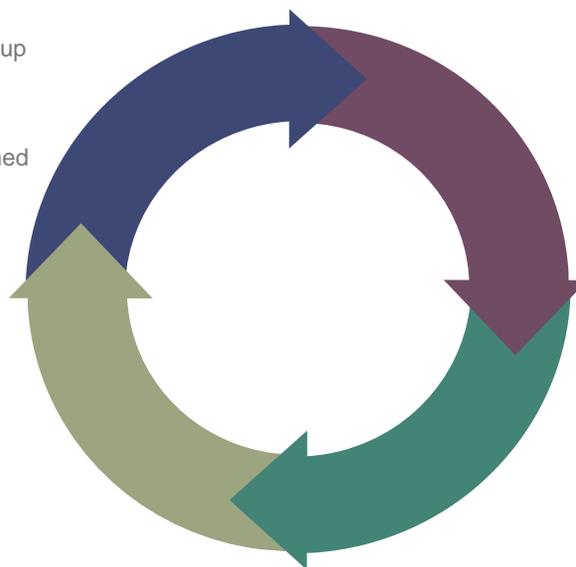
Planning February-March 2021

- Page 16
- Planning visit and developing our understanding of the Council and Group
 - Initial opinion and value for money risk assessments
 - Considering proposed accounting treatments and accounting policies
 - Developing the audit strategy and planning the audit work to be performed
 - Agreeing timetable and deadlines
 - Preliminary analytical review

Completion July-September 2021*

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Accounting and Technical Service review of the financial statements
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee
- Reviewing subsequent events
- Signing the auditor's report

* subject to receipt of Pension Fund auditor assurance



Interim February-April 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork July-September 2021*

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

* as per comments to the left

02

Section 02:

National publications

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National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	Capital Strategy Guidance: A Whole Organisation Approach	Publication aims to support continuous improvement and includes a checklist.
2.	Successful Collaborations in the Public Services: the role of internal audit	Guide for internal auditors reviewing 'collaborations', but also of use to a wider audience given increased joint working.
Ministry of Housing, Communities and Local Government (MHCLG)		
3.	Update to audit review response	New powers for Audit, Reporting and Governance Authority on local government audit. Public Sector Audit Appointments is reconfirmed as appointing body for audit procurement and contract management.
4.	Methodology for allocating £15 million to local bodies and review of Appointing Person regulations	Consultations were held on allocation of the funds.
National Audit Office (NAO)		
5.	Initial learning from the government's response to the COVID-19 pandemic	Latest NAO report on learning from the government response to the pandemic.
6.	Framework to review programmes update	Framework for reviewing major programmes, along with examples of what 'good' looks like.

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NATIONAL PUBLICATIONS

CIPFA

1. Capital Strategy Guidance: A Whole Organisation Approach, May 2021

This guidance focuses on a whole organisation approach to prudent, sustainable and resilient local government investment.

The development of capital strategies has been challenging and difficult to implement fully and it is clear from the examples examined that there is still room for improvement for all local government organisations. The intention of this capital strategy guidance is to learn from what has been achieved to date and to support local government organisations with continuous improvement and refresh. CIPFA has identified areas for improvement that may help in the form of a checklist.

This guidance has been brought to life by including points to consider and extracts from capital strategies reported in 2020, although CIPFA recognises that most were published prior to the more serious impact of COVID-19.

<https://www.cipfa.org/policy-and-guidance/publications/c/capital-strategy-guidance-a-whole-organisation-approach>

2. Successful Collaborations in the Public Services: the role of internal audit, May 2021

The guide considers key concerns for internal auditors as they become involved in collaborative arrangements including the need for a 'singular' entity; how they can safeguard their independence and how assurance can be co-ordinated across providers. The guide also sets out issues for the internal auditor to review at each stage of the collaborative process to help inform audit scope. The publication covers the following:

- collaborative arrangements – the role of the internal auditor: benefits and barriers;
- pressures to collaborate and emerging models;
- stages of collaboration and the role of the internal auditor at each stage; and
- working with other assurance providers and internal auditors.

The guide draws on the good governance principles set out in the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) throughout. It will assist internal auditors to perform effectively in their roles in relation to collaborations and add value for their entities. It will also be useful for others providing assurance on, or looking to establish, collaborative arrangements, including audit committees, external auditors and chief financial officers. It will also assist those, such as members of the wider governing body, wishing to gain a greater understanding of how internal auditors can assist public service entities in achieving the objectives of collaborative ventures.

<https://www.cipfa.org/policy-and-guidance/publications/s/successful-collaborations-in-the-public-services-the-role-of-internal-audit>

NATIONAL PUBLICATIONS

MHCLG

3. MHCLG – update to audit review response, May 2021

Further measures to help ensure taxpayers get value for money by improving the effectiveness and transparency of local government audit, were announced by the government.

The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers. The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

4. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department carried out a short, four-week consultation, seeking views on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department carried out a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily was seeking views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

National Audit Office

5. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, Government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that the NAO has published to date, as well as other work it has published that covered the COVID-19 pandemic. It sets out this learning across six themes, with a summary shown below:

Risk management

- Identifying the wide-ranging consequences of major emergencies and developing playbooks for the most significant impacts.
- Being clear about risk appetite and risk tolerance as the basis for choosing which trade-offs should be made in emergencies.

Transparency and public trust

- Being clear and transparent about what government is trying to achieve, so that it can assess whether it is making a difference.
- Meeting transparency requirements and providing clear documentation to support decision-making, with transparency being used as a control when other measures, such as competition, are not in place.
- Producing clear and timely communications.

NATIONAL PUBLICATIONS

National Audit Office

5. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021 (continued)

Data and evidence

- Improving the accuracy, completeness and interoperability of key datasets and sharing them promptly across delivery chains.
- Monitoring how programmes are operating, forecasting changes in demand as far as possible, and tackling issues arising from rapid implementation or changes in demand.
- Gathering information from end-users and front-line staff more systematically to test the effectiveness of programmes and undertake corrective action when required.

Coordination and delivery models

- Ensuring that there is effective coordination and communication between government departments, central and local government, and private and public sector bodies.
- Clarifying responsibilities for decision-making, implementation and governance, especially where delivery chains are complex and involve multiple actors.
- Integrating health and social care and placing social care on an equal footing with the NHS.
- Balancing the relative merits of central, universal offers of support against targeted local support.

Supporting and protecting people

- Understanding to what extent the pandemic and government’s response have widened inequalities, and taking action where they have.
- Providing appropriate support to front-line and other key workers to cope with the physical, mental and emotional demands of responding to the pandemic.

Financial and workforce pressures

The NAO will continue to draw out learning from the government’s response to the pandemic in its future work.

<https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

NATIONAL PUBLICATIONS

National Audit Office

5. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021 (continued)

Financial and workforce pressures

- Placing the NHS and local government on a sustainable footing, to improve their ability to respond to future emergencies.
- Ensuring that existing systems can respond effectively and flexibly to emergencies, including provision for spare or additional capacity and redeploying staff where needed.
- Considering which COVID-19-related spending commitments are likely to be retained for the long term, and what these additional spending commitments mean for long-term financial sustainability.

The NAO will continue to draw out learning from the government’s response to the pandemic in its future work.

<https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

6. NAO report - Framework to review programmes update April 2021

This NAO publication sets out updated questions to assess how well programmes are delivered and to highlight the risks a programme faces. Although designed for an audit approach, project professionals and those reviewing programmes may find these questions useful to challenge themselves about how well a programme is being delivered.

The framework comprises 18 key questions grouped into the four elements the NAO considers when it audits programmes:

- Purpose: need for programme, portfolio management and dependencies, stakeholder engagement.
- Value: options appraisal, business case, costs and duration, benefits.
- Set-up: governance and assurance, leadership and culture, delivery resources, putting the programme into practice, risk management
- Delivery and variation management: delivery strategy, change control, responding to external change, performance management, lessons learned, transition to business as usual.

<https://www.nao.org.uk/report/framework-to-review-programmes-update-april-2021/>

Contact

Mazars

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Title of Report: Annual Report to Cabinet and Council: 2020/21

Report of: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. The Committee's terms of reference require it to submit an annual report to the Cabinet and Council, and further reports and recommendations as it sees fit. The Committee is asked to consider the issues discussed during 2020/21 for inclusion in a report to Cabinet and Council.

Background

- 2 The Annual Report to Cabinet and Council 2020/21 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.

Contents of the Report

- 3 Appendix 1 includes the details of activity which the Committee has covered over the last year for consideration for inclusion in the report to Cabinet and Council.
- 4 The Audit and Standards Committee has received reports in the following areas:
 - Internal Audit planning, performance and activity;
 - External Audit planning, performance and activity;
 - Corporate Risk Management and Resilience activity;
 - Counter Fraud Updates
 - Standards Updates
 - The Annual Governance Statement and supporting evidence;
 - Achievement of Going Concern Status;

- Audit Completion Report and Council Statement of Accounts;
- Treasury Management Policy & Strategy and mid-year update.;
- Local Code of Governance;
- Review of Internal Audit Charter; and
- Code of Conduct for Councillors

5 Based on the evidence presented during the year and at the meeting of the Committee on 21 June 2021 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 2020/21, which accompanies the Statement of Accounts.

Recommendation

6 The Committee is asked to agree the draft report for submission to Cabinet and Council at Appendix 1.

Contact name: Craig Oakes Ext. 3711

Contents of the Report to Cabinet and Council – 2020/21

1. The areas of activity considered by the Audit and Standards Committee during 2020/21 are set out below.

Internal Audit planning, performance and activity

2. As at 31 March 2021 98% of the Internal Audit Plan was completed, which resulted in 58 audit reports. Of these reports 70 (86%) found systems to be operating well or satisfactory, with 8 (14%) reporting systems having significant weaknesses, of which one was in relation to schools.
3. All recommendations are followed-up as part of the Internal Audit process and the Audit and Standards Committee will monitor the outcomes.
4. Based on this evidence arising from Internal Audit activity during 2020/21, the Council's internal control systems and governance and risk management arrangements are considered to be effective.
5. The Internal Audit Service has also co-ordinated the Council's National Fraud Initiative (NFI) work and has supported Council managers with irregularity, e-mail, internet and other disciplinary investigations on an ongoing basis during 2020/21, with quarterly updates to Audit and Standards Committee.
6. The Audit and Standards Committee also approved the Audit Strategy and Plan and will continue to monitor Internal Audit's progress on a quarterly basis against the 2021/22 Audit Plan.

External Audit planning, performance and activity

7. The following external audit reports have been reviewed over the year:
 - Audit Strategy Memorandum Year Ending 31 March 2021.
8. The Committee was also asked to consider how it exercises oversight of certain key management processes in relation to some specific areas of governance with a potential to impact upon the financial statements during 2020/21. This was a requirement to satisfy the external auditors that such oversight was in place in order to comply with International Auditing Standards. The Committee agreed that an effective level of oversight was in place.

Corporate Risk Management and Resilience activity

9. The Committee received quarterly reports on the assurance derived from risk management. These reports make Councillors aware of the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for further development of risk management arrangements.

Counter Fraud Update

10. The Committee received a report every six months updating on activity undertaken in relation to the work of the Corporate Fraud Team summarising performance against the Counter Fraud and Corruption Strategy and the effectiveness of the Strategy. Conclusions also form part of the Annual Governance Statement.

Standards Update

11. The Committee received quarterly reports which highlighted national and local standards issues, raised Member awareness of national reviews and consultations which may be relevant to their role and identified whether further Member training was required.

The Annual Governance Statement and supporting evidence

12. The Annual Governance Statement for 2020/21 concluded that the Council's system of internal control, risk management and governance framework is effective.
13. The Audit and Standards Committee approved the Annual Governance Statement for 2020/21 at its meeting on 21 June 2021, following a review of the evidence detailed below in paragraphs 14-31, and evidence seen by the Committee during the year.

Cabinet Members

14. Assurance was sought from Members of the Cabinet on the effectiveness they felt could be placed on the Council's corporate governance arrangements. They concluded that effective governance arrangements are in place.

Senior Managers

15. Service Directors completed self-assessment assurance statements detailing the level of assurance obtained from their key control processes. The conclusion of this exercise found that senior managers agreed that effective control systems were in place overall. These areas will be examined as part of the 2021/22 Audit Plan and the outcomes reported to the Audit and Standards Committee in October 2021.

Internal Audit

16. The Internal Audit Service has undertaken audit work throughout the year based on the risk based audit plan. In addition, the Council has a framework of assurance available to satisfy it that risks have been properly identified and are being managed by controls that are adequately designed and effective in operation. This includes assurance from a variety of sources other than the Internal Audit Service. These other audit systems have been assessed, as part of the Audit Plan.
17. Based on this audit activity the overall opinion of the Chief Internal Auditor for the year 2020/21 was that internal control systems and risk management and governance arrangements are effective.

Risk Management

18. Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk.
19. The Strategic Director, Resources and Digital reported that risk management arrangements during the year were effective.

Counter Fraud

20. The Council has a zero tolerance approach to fraud and corruption. A counter fraud communications and awareness plan is in place to enable and evidence communication requirements to promote and raise awareness of the Council's counter fraud arrangements, including the publicising of any proven fraud cases and media handling. The plan details the key stakeholders and the methods and frequency of any communications during the year. The plan also details how the outcomes of any successful prosecutions would be handled.
21. The Strategic Director, Resources and Digital reported that counter fraud arrangements during the year were effective.

Performance Management and Data Quality

22. The Council has a Corporate Performance Management Framework which helps it deliver the priorities within the Council Plan. The monitoring of performance takes place at key performance points as identified in the framework including quarterly performance reported to Group Management Teams and Corporate Senior Officer meetings.

23. In addition performance is also monitored, measured, challenged and scrutinised on a six monthly basis at Cabinet and respective Overview and Scrutiny Committees.
24. The Corporate Data Management Group is overseeing the development of an approach to improving how the performance information is presented so that this is accessible to all stakeholders. Performance reports to Overview and Scrutiny are published on the Council's website
25. Based on evidence arising from the performance management framework process for 2020/21 effective controls are in place.

Views of the External Auditor and other External Inspectors

26. Mazars, the Council's external auditor, issued an Annual Audit Letter covering the financial year 2019/20, which was presented to the Committee in March 2021. This comprised of two elements: the audit of the Council's financial statements and an assessment of the Council's arrangements to achieve value for money in its use of resources. An unqualified opinion was given in both of these areas for 2019/20.
27. Other external inspectorates' reports have been issued from time to time on management and governance arrangements to the Council.

The Legal and Regulatory Framework

28. Assurance has been obtained from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. The Council has a Constitution in place and compliance with established policies, procedures, laws and regulations is ensured by the requirement to give the Strategic Director, Corporate Services and Governance the opportunity to comment on every report submitted to a decision-making body.

Financial Controls

29. Assurance has been obtained from the Strategic Director, Resources and Digital, who is designated as the responsible officer for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972, that financial controls are effective. Systems in place include Financial Regulations, the opportunity to comment on the financial implications of committee reports, monitoring meetings and evidence from internal and external audit.

Partnerships

30. Service Directors review partnerships within their service plans on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. Service Directors have also been required to provide

assurance on governance arrangements through their self-assessment statements and all Services are required to identify, through their business plans, where delivery of activity could impact on partnership working.

31. Based on evidence arising from partnerships for 2020/21 effective controls are in place.

Other Reports

Achievement of Going Concern Status

32. The Committee received a report considering the Council's status as a going concern.
33. Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. However, financial pressures within the local government sector mean that there continues to be a risk that the Chief Finance Officer (Section 151 officer) may need to consider whether action is required under Section 114 of the 1988 Act, where the Section 151 officer must report, following consultation with the council's monitoring officer, to all authority's members if they believe expenditure is likely to exceed incoming resources in the current or in any future year.
34. The report outlined the assessment of the Council's status as a going concern as this is now considered best practice in the current challenging local government financial climate.
35. Based on the assessment undertaken, the Council's Chief Finance Officer (Section 151 officer) view was that the Council is fully 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 2019/20 Statement of Accounts should be prepared on that basis.

Audit Completion Report and Council's Statement of Accounts

36. The outcome and findings of the audit of the Council's Statement of Accounts 2019/20 by the Council's external auditor, Mazars, along with the audited Statement of Accounts, were reported to the Audit and Standards Committee 19 October 2020. Mazars issued an unqualified opinion on the Statement of Accounts and concluded that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Committee noted the contents of the report and resolved that the Accounts Committee be advised that they had no issues to raise on the outcomes and findings of the Council's Statement of Accounts 2019/20 by Mazars

Treasury Management Policy & Strategy and Six Monthly Update

37. In line with CIPFA's Code of Practice on Treasury Management the Annual Treasury Policy and Strategy are reviewed by the Audit and Standards Committee prior to being reported to Cabinet and Council. A six monthly position is also reported through the Audit and Standards Committee to highlight progress on investment performance and borrowing.

Local Code of Governance Update

38. The Council has a local code of governance which was originally presented to the Audit Committee in April 2007. In line with good practice the document should be reviewed regularly, and the Audit and Standards Committee were asked to consider and approve an updated version on 25 January 2021, based on the CIPFA Delivering Good Governance in Local Government: Framework. 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.

Review of Internal Audit Charter

39. The Internal Audit Charter is reviewed annually, and the outcome is reported to the Audit and Standards Committee to seek comments and approval in line with Best Practice. The Chief Internal Auditor carried out the annual review and confirmed that it continues to reflect best practice and no amendments were required.

Code of Conduct for Councillors

40. A report was presented to the Committee setting out an updated Code of Conduct for the Council and updated members following a member led working group on amendments to the draft previously considered by the committee to better reflect the aspiration that members adhere to the highest standards of conduct. The report made proposals in respect of the full Council adopting the updated code.
41. The Committee considered the model code on a number of occasions over the last year, both through its development by the Local Government Association (LGA) as a consultee and more recently consideration of adopting the model code in Gateshead.

Title of Report: Corporate Risk Management 2021/22 - Quarter 1 Update

Report of: Darren Collins, Strategic Director, Resources & Digital

Purpose of the Report

1. This report updates the Committee on Corporate Risk Management during the period 1 April 2021 to 30 June 2021.

Background

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy. This was last approved by Council on 21 May 2013 and is kept under review. Whilst it has been amended to reflect minor structural changes and roles in that time, it remains relevant and fit for purpose.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2021/22, as cited in the Corporate Risk Management Annual Report 2020/21, and any other risk management issues emerging within the quarter under consideration.

Strategic Risk Management

4. In November 2018, Cabinet and Council approved a revised Strategic Risk Register which had been presented to Audit and Standards Committee on 1 October 2018. The Corporate Management Team has continued to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register.
5. There have been no changes to the Strategic Risk Register in the first quarter 2021/22. The current Strategic Risk Register is attached for information in Appendix 1.

Operational Risk Management

6. Operational risks identified within the Council are recorded on the operational risk register. Work is ongoing to ensure operational risk management activity within services continues to align with service objectives, including those risks specific to operational objectives.
7. Service Risk Coordinators, whose role it is to support and champion risk management activity within their Services, are working with the Corporate Risk Officer to support risk owners with evaluating existing operational risk assessments. The focus of this

work is on ensuring the assessments contain the required information to inform the management response.

Business Continuity Management

8. In accordance with the Council's Risk Management and Business Continuity Policies, all Services are required to continuously assess the risk of their activities being disrupted and to develop cost effective business continuity plans.
9. All Business Impact Assessments were reviewed by Services in March 2020, again in November 2020 and most recently in May 2021. This was to continue to identify threats to critical activities and potential increased demand on Council Services following a further wave of infections. Business Continuity Plans were also revised accordingly to mitigate, as far as possible, any threats to the delivery of key activities with a focus on activity that could not be interrupted for more than 48 hours without critical impact. This exercise was also used to assess which activities might require additional support to strengthen resilience and estimated the officer numbers and skills that might be needed.
10. Where these could not be provided by redeployment from within the Service or Group, redeployment of officers would be sought from Services that had either been stood down due to COVID or could be reduced in the short term without significant impact.
11. Quarterly audit and risk reports are provided to Group Management Teams to highlight the activities for which services have developed continuity plans.

Recommendation

12. It is recommended that the Committee note the report and consider the effectiveness of the Council's risk management arrangements.

Strategic Risk Register as at 30 June 2021

Ref	Risk	Risk owner	Gross	Current risk		
				Likelihood	Impact	Score
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT	16	Moderate	High	12
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT	16	Moderate	Medium	9
3	Failure to safeguard vulnerable children and adults	CMT	16	Unlikely	High	8
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT	12	Moderate	Medium	9
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT	12	Moderate	Medium	9
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT	16	Moderate	Low	6
7	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.	CMT	8	Moderate	Low	6
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	Brexit Lead Officer	16	Likely	Medium	12
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT	16	Moderate	High	12
10	Failure to comply with the housing regulatory standards applicable to local authorities.	Sandra Watson, Service Director, Housing Compliance	20	Moderate	Medium	9

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