

AUDIT AND STANDARDS COMMITTEE AGENDA

Monday, 31 January 2022 at 10.00 am in the Blaydon Room - Civic Centre

From the Chief Executive, Sheena Ramsey

Item	Business
1	Apologies for Absence
2	Minutes (Pages 3 - 6) The Committee is asked to approve, as a correct record, the minutes of the meeting held on 18 October 2021.
3	Declarations of Interest Members of the Committee are invited to declare interests in any agenda items.
4	Local Code of Governance (Pages 7 - 22) Report of the Strategic Director, Corporate Services and Governance
5	External Auditor Appointments Beyond 1 April 2023 (Pages 23 - 30) Report of the Strategic Director, Resources and Digital
6	External Auditor: Audit Progress Report (Pages 31 - 52) Report of the Strategic Director, Resources and Digital
7	Corporate Risk Management 2021/22 - Quarter 3 Update (Pages 53 - 56) 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 paragraphs 7 of Schedule 12A to the Local Government Act 1972.

9 Internal Audit Plan 2021/22 Quarterly Monitoring Report to 31 December 2021 (Pages 57 - 66)

Report of the Chief Internal Auditor

10 Date and time of next meeting

Monday 7 March 2022 at 10.00 am

Contact: Helen Conway- Tel: 0191 433 3993 - Email: helenconway@gateshead.gov.uk,
Tel: , Date: Friday, 21 January 2022

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 18 October 2021

PRESENT: Councillor M Charlton (Chair)
Councillor(s): J Reay (Vice-Chair), L Green, S Green, J McElroy, Mr S Bell, Mr G Clark and Mr B Jones (Independent Members)

APOLOGIES: Councillor(s): R Beadle and H Kelly

ASC355 MINUTES

The minutes were approved as a correct record.

ASC356 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC357 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2021

The Committee received a report reviewing Treasury Management performance for the six months to 30 September 2021, covering investments and borrowing. This is consistent with approved performance management arrangements.

The report covered:-

- Treasury Management Strategy Statement
- Investment Performance
- The Economy
- Rate of Return
- Borrowing
- PWLB Government Borrowing

The projected net impact of investment and borrowing activity on the revenue budget in 2021/22 is an underspend of £1.012m, comprising £0.793m General Fund and £0.219m HRA.

Investment returns are likely to remain relatively low during 2021/22 then beyond and interest rates are expected to be below long-term borrowing rates therefore value for money considerations indicate that best value can be obtained by delaying new external borrowing and by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing).

The current approach of borrowing internally provides benefits in terms of reduced credit risk, as the Council has less cash invested than if it had gone to the markets and borrowed externally. This means that cash balances and investment returns, remain historically low resulting in reduced levels of income, which at present is outweighed by the savings achieved from avoiding external borrowing. The additional element of interest rate risk will continue to be monitored.

- RESOLVED -
- i) The Committee noted the contents of the report
 - ii) The Committee wished to place upon record their thanks to the Treasury Team
 - iii) That the Treasury Management Performance to 30 September 2021 be noted, prior to submission to Cabinet.

ASC358 CORPORATE RISK MANAGEMENT 2021/22 - QUARTER 2 UPDATE

The Committee received a report providing an update on Corporate Risk Management developments during the period 1 July 2021 to 30 September 2021 in line with the principles of good corporate governance.

The report included updates on:

- Strategic Risk Management
- Operational Risk Management
- Business Continuity Management
- Corporate Risk and Resilience Group

- RESOLVED -
- i) That the information be noted
 - ii) The Committee requested a briefing note be prepared on the impact of COVID 19 and Brexit and what the Council is doing to address and mitigate any problems
 - iii) The Committee endorsed the effectiveness of the Council's risk management arrangements

ASC359 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.

ASC360 MID YEAR COUNTER FRAUD UPDATE 2021/22

The Committee received a report which provided an update on activity undertaken since 1 April 2021 by the Internal Audit and Risk Service in relation to the work of the Corporate Fraud Team. It also updated on action taken to raise awareness of the risk of fraud and corruption, details the cases of potential fraud and irregularity, updates on any proactive counter fraud work and progress of the Council's participation in National Fraud Initiative (NFI).

- RESOLVED -
- i) That the information be noted
 - ii) The Committee requested that a breakdown of all cases by type be provided to the next meeting of the Committee

ASC361 INTERNAL AUDIT PLAN 2021/22 QUARTERLY MONITORING REPORT TO 30 SEPTEMBER 2021

The Committee received a report outlining progress made by the Internal Audit & Risk Service against the audit plan for the financial year 2021/22 and summaries the main findings from audit activity throughout the period 1 July 2021 to 30 September 2021.

A total of 13 assignments were completed during the period, with details attached for information at Appendix A.

From the reviews carried out to 30 September 2021 audit work was found to be complying with PSIAS and the Audit Manual.

The Committee were advised that the year to date performance information was as follows:-

- 100% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 68% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.9 out of 4, against a target of 3.4 (85%)
- The target for implementation of audit recommendations is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendations is 89% with 100% of all medium priority and 100% of all high priority recommendations having been implemented. Further information was provided to Committee at Appendix C in the main report.

RESOLVED – That the information be noted.

ASC362 DATE AND TIME OF NEXT MEETING

The next meeting will take place on Monday 31 January 2022 at 10.00 am

Chair.....

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TITLE OF REPORT: Local Code of Governance

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance

Purpose of the Report

1. This report asks the Audit and Standards Committee to consider and approve an updated version of the Local Code of Governance, based on the CIPFA Delivering Good Governance in Local Government Framework.

Background

2. The Council has prepared a local code of governance since April 2007. 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.
3. In 2016 CIPFA reviewed its framework document to ensure that it remained fit for purpose. It issued their Delivering Good Governance in Local Government: Framework along with comprehensive guidance.
4. The new approach was 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 principles of good governance in the framework are:
 - Behaving with integrity
 - Ensuring openness and comprehensive engagement
 - Defining sustainable outcomes
 - Determining interventions
 - Developing capacity
 - Managing risks and performance
 - Implementing good practice in transparency
5. The new Framework required a full re-drafting of the Council's Local Code of Governance. Following extension work and consultation the Committee adopted the current format for the Local Code of Governance on 29 January 2018. The Code is reviewed on an annual basis.

Proposal

6. As part of this year's annual review of the Local Code of Governance, the Council's senior management have been requested to make any necessary amendments or additions to the document. The proposed changes are highlighted in Appendix 1.

Recommendation

7. It is recommended that the Audit and Standards Committee approves the updated Local Code of Governance attached at Appendix 1.

GATESHEAD COUNCIL - LOCAL CODE OF GOVERNANCE

SELF ASSESSMENT

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
Sub principle: Behaving with integrity	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. 	<ul style="list-style-type: none"> Code of conduct for members of the Council (consistent with Nolan’s Seven Principles of Public Life); identifying other Registerable Personal Interests Code of conduct for employees (paragraph 2 of Part 2 of the handbook of national conditions of service for local authority employees states “Employees will maintain conduct of the highest standard such that public confidence in their integrity is sustained.”) Declarations of interests at meetings Council Protocols eg Councillor/Officer relations, Development Control – protocol on Good Practice, Regulatory and Licensing Committees – protocols on Good Practice Councillor Role Descriptors Specific Professional Codes of Conduct Member Induction programme Corporate induction for employees Annual Governance Statement Gift and Hospitality register <u>Regular manager/employee discussions and Appraisal and Development sessions</u> Whistleblowing Policy - Arrangements for the Public 	<ul style="list-style-type: none"> Code is updated as and when required. Annual review of the protocols Annual review of the Constitution and Governance Statement
<ul style="list-style-type: none"> Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). 		
<ul style="list-style-type: none"> Leading by example and using these standard operating principles or values as a framework for decision making and other actions. 		
<ul style="list-style-type: none"> Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 		

	<ul style="list-style-type: none"> Whistleblowing Policy for employees Contract Procedure Rules 	
Sub principle: Demonstrating strong commitment to ethical values		
<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance. 	<ul style="list-style-type: none"> Council's strategic approach of Making Gateshead a Place Where Everyone Thrives is based on tackling inequality across the borough Code of conduct for officers and members Council Protocol 1 – Council's Corporate Values Employee competency framework Member Officer protocol Workforce Strategy & Workforce Plan Equal Opportunities Policy Councillor Development Framework includes appropriate training Strategic Commissioning framework Corporate Social Responsibility Pledge 	<ul style="list-style-type: none"> Annual review of councillors' training to reflect changes in their roles and remit Refresh of the Workforce Strategy and Plan
<ul style="list-style-type: none"> Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. 		
<ul style="list-style-type: none"> Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. 		
<ul style="list-style-type: none"> Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation. 		
Sub principle: Respecting the rule of law		
<ul style="list-style-type: none"> Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. 	<ul style="list-style-type: none"> Monitoring officer provisions/statutory roles Financial regulations Contracts procedure rules Statement of accounts Council reports including implications from financial and legal officers Audit and Standards Committee – members assurance statements 	<ul style="list-style-type: none"> Risk management policy to be reviewed
<ul style="list-style-type: none"> Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. 		
<ul style="list-style-type: none"> Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. 		
<ul style="list-style-type: none"> Dealing with breaches of legal and regulatory provisions effectively. 		

<ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> Council's decision making processes eg Planning and Development Committee Constitution Partnership arrangements Gateshead Trading Company governance arrangements Risk management policy Whistleblowing policy ICT security policy Complaints procedure Counter Fraud and Bribery policy 	
Principle B: Ensuring openness and comprehensive stakeholder engagement		
Sub principle: Openness	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. 	<ul style="list-style-type: none"> Transparency agenda eg FOIs, council expenditure over £500, senior officer salaries Constitution (references meetings open to the public) Council papers, agendas and minutes (including Calendar of Meetings) Access to information rules Customer feedback and complaints Equality impact assessments Consultation principles Viewpoint Panel Consultation portal Partnership meetings Trade Union Consultation Framework Employee forums Employee engagement sessions with the Leader and Chief Executive Annual report 	
<ul style="list-style-type: none"> Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. 		
<ul style="list-style-type: none"> Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. 		
<ul style="list-style-type: none"> Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 		

	<ul style="list-style-type: none"> • Use of social media and email eg Gateshead Now • Corporate Social Responsibility Pledge 	
Sub principle: Engaging comprehensively with institutional stakeholders		
<ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. 	<ul style="list-style-type: none"> • Partnership arrangements/ agreements/memorandum of understanding • Partnership protocol • Partnership guidance for officers • Partnership Risk Register 	<ul style="list-style-type: none"> • Partnerships audited on annual basis • Review of Corporate Communications Strategy
<ul style="list-style-type: none"> • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. 		
<ul style="list-style-type: none"> • Ensuring that partnerships are based on: <ul style="list-style-type: none"> - trust - a shared commitment to change - a culture that promotes and accepts challenge among partners - and that the added value of partnership working is explicit. 		
Sub principle: Engaging stakeholders effectively, including individual citizens and service users		
<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. 	<ul style="list-style-type: none"> • Consultation principles • Viewpoint panel • Service user involvement forums • Consultation portal • Communications Strategy • Social media • <u>Members' briefings</u> • <u>Updates from the Leader of the Council</u> • Council News • Numerous public surveys held throughout the year • Gateshead Now email 	
<ul style="list-style-type: none"> • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. 		
<ul style="list-style-type: none"> • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. 		
<ul style="list-style-type: none"> • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. 		

<ul style="list-style-type: none"> Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. 	<ul style="list-style-type: none"> Complaints page on Council’s website Web feedback 	
<ul style="list-style-type: none"> Taking account of the interests of future generations of tax payers and service users. 	<ul style="list-style-type: none"> Reflect full range of comments in council reports Youth Assembly Corporate Parenting role Social Care Commissioning Intentions and Market Position Statement Joint Strategic Needs Assessment 	
Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits		
Sub principle: Defining outcomes	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions. 	<ul style="list-style-type: none"> Corporate policy, planning framework Making Gateshead a Place Where Everyone Thrives strategic approach Service Business Plans 	<ul style="list-style-type: none"> MTFS-Medium Term Financial Strategy updated at least annually
<ul style="list-style-type: none"> Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. 	<ul style="list-style-type: none"> Medium Term Financial Strategy -20221/232 - 20265/276 Corporate performance management framework 	<ul style="list-style-type: none"> Service Business Plans reviewed annually
<ul style="list-style-type: none"> Delivering defined outcomes on a sustainable basis within the resources that will be available. 	<ul style="list-style-type: none"> Impact assessments 	<ul style="list-style-type: none"> Operational risk registers are reviewed at least yearly
<ul style="list-style-type: none"> Identifying and managing risks to the achievement of outcomes. 	<ul style="list-style-type: none"> Strategic and Operational Risk Registers 	
<ul style="list-style-type: none"> Managing service user expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> Budget consultation Corporate Social Responsibility Pledge 	<ul style="list-style-type: none"> Revise and implement a new Corporate Performance Management Framework and align equalities objectives
Sub principle: Sustainable economic, social and environmental benefits		

<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. 	<ul style="list-style-type: none"> • Council reports include relevant implications • Medium Term Financial Strategy- 20221/232 - 20265/276 • Capital Programme • Consultation Principles • Records of decision making • Equal opportunities policy • Strategic Risk Register • Corporate Social Responsibility Pledge • The Council’s Thrive Agenda • The Health and Wellbeing Board’s remit as set out in the Council’s Constitution 	<ul style="list-style-type: none"> • <u>MTFS-Medium Term Financial Strategy</u> updated at least annually • Development of an Investment Strategy • Annual review of Strategic Risk Register • Annual Review of the Council’s Constitution
<ul style="list-style-type: none"> • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints. 		
<ul style="list-style-type: none"> • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. 		
<ul style="list-style-type: none"> • Ensuring fair access to services. 		

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes												
Sub principle: Determining interventions	We demonstrate this by:	Action required:										
<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided. 	<ul style="list-style-type: none"> Medium Term Financial Strategy 20221/232-20265/276 Decision making protocols Outcomes from consultations Council reports including summary of consultation, alternative options, and implications 	<ul style="list-style-type: none"> MTFS- Medium Term Financial Strategy updated at least annually 										
<ul style="list-style-type: none"> Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 			Sub principle: Planning interventions			<ul style="list-style-type: none"> Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. 	<ul style="list-style-type: none"> Policy planning framework Project management Risk management policy Corporate pPerformance management <u>and Improvement</u> framework Project management Commissioning Strategy - monitoring mechanisms in place Medium Term Financial Strategy- 20221/232-20265/276 Budget guidance Budget consultation Budget Report Capital Programme 	<ul style="list-style-type: none"> Six monthly reports to Cabinet on the Revise and implement a new Corporate Performance Management and Improvement Framework on the impact of Council actions and intervention and delivery of Thrive and the Health and Wellbeing Strategy 	<ul style="list-style-type: none"> Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. 	<ul style="list-style-type: none"> Considering and monitoring risks facing each partner when working collaboratively including shared risks. 	<ul style="list-style-type: none"> Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. 	<ul style="list-style-type: none"> Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.
Sub principle: Planning interventions												
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<ul style="list-style-type: none"> Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured. 												
<ul style="list-style-type: none"> Ensuring capacity exists to generate the information required to review service quality regularly. 												
<ul style="list-style-type: none"> Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. 												

<ul style="list-style-type: none"> Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 		
Sub principle: Optimising achievement of intended outcomes		
<ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. 	<ul style="list-style-type: none"> Budget consultation framework Budget Guidance Medium Term Financial Strategy -20224/232-20265/276 Corporate Commissioning strategy Service Business Planning Corporate Performance Management <u>and Improvement</u> Framework 	<ul style="list-style-type: none"> Budget guidance issued annually to Leadership Team MTFS updated at least annually Revise and implement a new Corporate Six <u>monthly reports to Cabinet on</u> Performance Management <u>and Improvement</u> Framework
<ul style="list-style-type: none"> Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. 		
<ul style="list-style-type: none"> Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. 		
<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. 		
Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it		
Sub principle: Developing the entity's capacity	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness. 	<ul style="list-style-type: none"> Roles and responsibilities of the Executive and senior officers ↓ Councillor Role Descriptors Councillor Development framework Annual Pay policy statement Partnership arrangements Workforce Strategy and Workforce Plan Corporate Performance Management <u>and Improvement</u> Framework <u>Apprenticeship Strategy and Delivery Plan</u> 	<ul style="list-style-type: none"> Revise and implement a new Six <u>monthly reports to Cabinet on</u> Corporate Management <u>and Improvement</u> Framework
<ul style="list-style-type: none"> Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. 		
<ul style="list-style-type: none"> Recognising the benefits of partnerships and collaborative working where added value can be achieved. 		
<ul style="list-style-type: none"> Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources. 		
Sub principle: Developing the capability of the entity's leadership and other individuals		

<ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. 	<ul style="list-style-type: none"> Councillor officer protocol Relevant job profiles Constitution – delegated decisions Induction Programme 	<ul style="list-style-type: none"> Delivery of the Leadership Development Programme for <u>Service Managers</u> during 20221
<ul style="list-style-type: none"> Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. 	<ul style="list-style-type: none"> Member personal development plans (Councillor support and development group) Workforce Strategy 	<ul style="list-style-type: none"> Delivery of Management Development Programme during 2021
<ul style="list-style-type: none"> Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other's authority. 	<ul style="list-style-type: none"> Workforce Plan Learning from Ofsted and CQC Inspections Scrutiny framework Staff development plans linked to Appraisal and Development 	
<ul style="list-style-type: none"> Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. 	<ul style="list-style-type: none"> Health and Safety policy Wellbeing at work initiatives eg health advocates and mental -wellbeing first aiders Viewpoint Residents Panel Resident's Survey Constitution (reference meetings open to public) Leadership and Management Development Programmes 	
<ul style="list-style-type: none"> Ensuring that there are structures in place to encourage public participation. 		
<ul style="list-style-type: none"> Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. 		

<ul style="list-style-type: none"> • Holding staff to account through regular performance reviews which take account of training or development needs. 		
<ul style="list-style-type: none"> • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 		
Principle F: Managing risks and performance through robust internal control and strong public financial management		
Sub principle: Managing Risk	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. 	<ul style="list-style-type: none"> • Service Operational risk register • Strategic Risk Register • Corporate Risk and Resilience Group • Audit and Standards Committee remit • Business Continuity Plans • Business Impact Assessments • Service Business Plans • Corporate Risk Management Policy 	<ul style="list-style-type: none"> • Centralisation of risk documents and tools (via the intranet) to enable easier access for councillors and employees
<ul style="list-style-type: none"> • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. 		
<ul style="list-style-type: none"> • Ensuring that responsibilities for managing individual risks are clearly allocated. 		
Sub principle: Managing Performance		
<ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. 	<ul style="list-style-type: none"> • Council’s Forward Plan/Schedule of Decisions • Corporate pPerformance management <u>and improvement</u> framework • Member development eg scrutiny training • Quarterly monitoring updates regarding revenue and capital spend • Publication of agendas and minutes of meetings 	<ul style="list-style-type: none"> • Annual training update relating to Risk for members of the Audit and Standards Committee • Revise and implement a new <u>Corporate Six monthly reports to Cabinet on Performance Management and Improvement Framework</u>
<ul style="list-style-type: none"> • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook. 		
<ul style="list-style-type: none"> • Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible. 		
<ul style="list-style-type: none"> • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. 		

<ul style="list-style-type: none"> • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements). 		
Sub principle: Robust internal control		
<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives. 	<ul style="list-style-type: none"> • Corporate Risk Management Policy • Internal Audit programme • Corporate Risk and Resilience Group • Strategic and Operational Risk Registers • Audit and Standards Committee – oversight of management processes • Counter Fraud and Bribery Policy • Anti-money laundering policy • Local Code of Governance • Internal Audit Charter and Strategy • Annual governance statement • Audit and Standards Committee, minutes and agendas • Overview and Scrutiny Committees 	<ul style="list-style-type: none"> • Risk management policy to be reviewed • Development of a policy relating to the prevention of the facilitation of tax evasion (Criminal Finances Act 2017)
<ul style="list-style-type: none"> • Evaluating and monitoring the authority’s risk management and internal control on a regular basis. 		
<ul style="list-style-type: none"> • Ensuring effective counter fraud and anti-corruption arrangements are in place. 		
<ul style="list-style-type: none"> • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 		
<ul style="list-style-type: none"> • Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> – Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment – That its recommendations are listened to and acted upon. 		
Sub principle: Managing data		
<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including process to safeguard personal data. 	<ul style="list-style-type: none"> • Constitution – Data Protection Statement • Data Protection policy • Information Security Strategy • Provide performance information to scrutiny and senior officer group • Data sharing agreements in place regarding Troubled Families programme and health data • Internal audit of data quality on strategic outcome indicators 	<ul style="list-style-type: none"> • -Data quality audit of the strategic indicators
<ul style="list-style-type: none"> • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies. 		
<ul style="list-style-type: none"> • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. 		

	<ul style="list-style-type: none"> Annual information Technology Health Check as part of the Council's Public Services Network compliance submission 	
Sub principle: Strong public financial management		
<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. 	<ul style="list-style-type: none"> Constitution - Financial regulations, Delegations, Budget and Policy Framework rules and Contracts Procedure rules Budget monitoring reports Strategic Risk Register Assurance Statements Internal and External Audit Strengthened capacity and capability giving assurance on potential fraud by the recruitment of an additional fraud officer 	
<ul style="list-style-type: none"> Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 		
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Sub principle: Implementing good practice in transparency	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> Council's website Council Protocol 3 – Report Formats and Preparing Reports Adopting Plain English standards Comply with the local government transparency code and publish all required information in a timely manner Access to information rules Publication of reports on the open part of committee agenda subject to the Access to information rules 	<ul style="list-style-type: none"> Council Protocols are reviewed on an annual basis
Sub principle: Implementing good practices in reporting		

<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and the stewardship of its resources. 	<ul style="list-style-type: none"> • Corporate performance management framework 	<ul style="list-style-type: none"> • Annual review of the Constitution
<ul style="list-style-type: none"> • Ensuring members and senior management own the results. 	<ul style="list-style-type: none"> • Roles and responsibilities outlined in Constitution 	<ul style="list-style-type: none"> • MTFS-Medium Term Financial Strategy
<ul style="list-style-type: none"> • Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement). 	<ul style="list-style-type: none"> • Audit and Standards Committee • Cabinet agendas 	<ul style="list-style-type: none"> • updated at least annually
<ul style="list-style-type: none"> • Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy -202<u>24</u>/232-202<u>65</u>/27<u>6</u> 	<ul style="list-style-type: none"> • Review of Corporate Six monthly reports to Cabinet on Performance Management and Improvement Framework
<ul style="list-style-type: none"> • Ensuring the performance information that accompanies the financial statement is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations. 	<ul style="list-style-type: none"> • Annual Governance Statement • Council’s Annual Report 	
<p>Sub principle: Assurance and effective accountability</p>		
<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon. 	<ul style="list-style-type: none"> • Managed through the Audit and Standards Committee - review of the effectiveness of internal audit 	<ul style="list-style-type: none"> • Partnership arrangements and risk register is reviewed annually by Internal Audit
<ul style="list-style-type: none"> • Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. 	<ul style="list-style-type: none"> • Findings from internal audit programme of inspections are reported to Audit and Standards Committee. 	
<ul style="list-style-type: none"> • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. 	<ul style="list-style-type: none"> • Ofsted and CQC inspections reported through political framework 	
<ul style="list-style-type: none"> • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. 	<ul style="list-style-type: none"> • Annual governance statement • Partnership arrangements and risk register 	
<ul style="list-style-type: none"> • Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • Annual Audit Letter issued by external auditor 	

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Title of Report: External Auditor Appointments Beyond 1 April 2023

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

Purpose of the Report

1. This report informs the Committee of the optional arrangements for the appointment of external auditors for the financial year beginning on 1 April 2023, and seeks agreement to opt into the national sector-led arrangement for the appointment of external auditors with effect from 1 April 2023.

Background

2. Under the Local Government Audit and Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:
 1. To appoint its own auditor, which requires it to follow the procedure set out in the Act;
 2. To act jointly with other authorities to procure an auditor following the procedures in the Act; or
 3. To opt into the national auditor appointment scheme administered by the Secretary of State as the ‘appointing person’. The body currently designated for this role is PSAA.
3. In March 2017, the Council agreed to opt into the ‘appointing person’ national auditor appointing arrangements, established by Public Sector Auditor Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
4. The current auditor appointment arrangement covers the period up to and including the audit of the 2022/23 Statement of Accounts, after which they expire
5. PSAA is currently undertaking a procurement for the next appointing period, covering audits for five financial years from 2023/24 to 2027/28.
6. The Council needs to make a decision about its external audit arrangements from 2023/24 onwards.
7. To once again opt into the national scheme, the Council must make a decision at a meeting of the Full Council.

The Appointed Auditor

8. The auditor appointed at the end of the procurement process will undertake the statutory audit of the Council’s Statement of Accounts (including any associated specific grant returns) and

Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

9. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
10. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) who employ authorised Key Audit Partners to oversee the work. There is a currently a shortage of registered firms and Key Audit Partners.
11. Auditors are regulated by the FRC, which will be replaced during the course of the next audit contract by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA).
12. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Options for the Council to appoint itself or via a joint arrangement

13. Should the Council wish to appoint its own external auditor under the Act, it would need to:
 - a. establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel would have to be wholly, or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members would not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
 - b. manage the contract for its duration, overseen by the auditor panel.
14. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each authority under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
15. These two options would be more resource-intensive and without the bulk buying power of the sector-led procurement service, would likely result in a more costly process for the Council to implement. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council would not be able to influence the scope of the audit and the regulatory regime would inhibit the Council's ability to affect quality.
16. The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

The National Auditor Appointment Scheme

17. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-

year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services.

18. The benefits of opting into the national scheme are as follows:

- a) the appointment of a suitably qualified audit firm to conduct audits for five financial years commencing 1 April 2023;
- b) appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- c) managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- d) ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- e) minimising the scheme management costs and returning any surpluses to scheme members;
- f) consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- g) consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- h) ongoing contract and performance management of the contracts once these have been let.

19. The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.

Current Pressures in the Local Audit Market and Delays in Issuing Opinions

20. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements and local audit fees had been reducing over a long period. 98% of bodies who were eligible opted into the national scheme and attracted competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
21. During 2018, a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work, following which four independent reviews were commissioned by Government:
 - a. Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
 - b. the Competition and Markets Authority review of the audit market;
 - c. Sir Donald Brydon's review of the quality and effectiveness of audit; and
 - d. Sir Tony Redmond's review of local authority financial reporting and external audit.
22. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
23. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible.
24. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
25. This situation has been exacerbated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with COVID19 creating further significant pressure for finance and audit teams.
26. None of these problems are unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the last two years.
27. It should be noted that despite the wider problems outlined above, the experiences of the Council under this arrangement have been positive, benefitting from an effective working relationship with our appointed auditor.

The Next Audit Procurement

28. The prices submitted by bidders through the procurement exercise will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- a. seek to encourage realistic fee levels and benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - b. continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties. Pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process - a key tenet of the national collective scheme;
 - c. continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. (In 2019 it returned a total £3.5 million to relevant bodies and returned a further £5.6 million in 2021).
29. PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train, which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
30. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/ LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
31. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Next Steps

32. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of Full Council (meeting as a whole), except where the authority is a corporation sole (e.g. Police and Crime Commissioner) in which case this decision can be taken by the holder of that office.
33. Therefore, if Committee Members are in agreement, it is intended that this report will be presented to Cabinet 22 February 2022 followed by Full Council at its meeting on 24 February 2022, where it will be recommended that Members agree to become an opted-in authority.

34. The closing date to provide formal acceptance of the invitation to PSAA is 11 March 2022.
35. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022, then consult with authorities on the appointment of auditors in order to make appointments by the statutory deadline of 31 December 2022.

Recommendation

36. The Committee is asked to review the Options set out in the report, agree to accept the PSAA invitation to opt into the sector-led option for the appointment of external auditors for five financial years commencing 1 April 2023 and submit any comments to Cabinet.

Contact: Craig Oakes Ext. 3711

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Title of Report: External Auditor: Audit Progress Report

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

Purpose of the Report

- 1 This report requests that the Committee note the external auditor's progress in delivering their responsibilities as external auditor and presents for information a summary of recent reports and publications.

Background

- 2 This report outlines:
 - 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.

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Audit progress report

Gateshead Metropolitan Borough Council

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January 2022



1. Audit progress
2. National publications

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01

Section 01:

Audit progress

Page 35

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 statutory audit

- **Value for Money and Auditor's Annual Report 2020/21:** we are completing our value for money work and will be issuing our Auditor's Annual Report to complete 2020/21 shortly. There are no significant matters to report to you at this stage.
- **Whole of Government Accounts (WGA) 2020/21 and overall certificate:** we are required to carry out specific work on the Council's 'whole of government accounts' consolidation schedules once they are available. As of mid-January 2022, the guidance for both councils and auditors has not been produced by the National Audit Office. We are, therefore, unable to issue our formal certificate on the 2020/21 audit until the WGA work has been completed.

2020/21 non-audit work

- **Housing benefits subsidy return 2020/21:** we have been engaged again by the Council to carry out 'agreed upon procedures' on its return to the Department of Work and Pensions. This work is on-going at the time of writing this report.
- **Pooling of housing capital receipts return 2020/21:** we have been similarly engaged by the Council to carry out 'agreed upon procedures' on its return to the Department of Levelling Up, Housing and Communities. This work will be carried out in February 2022.

2021/22 audit

- We have held an initial planning meeting with officers in respect of the 2021/22 audit and timing of work, including discussing the impact of The Gateshead Housing Company being brought back in house from 01/04/2022.
- We are liaising with officers in respect of the key area of the valuation of Property, Plant and Equipment, in particular given the Council has engaged a new valuation firm for the 2021/22 valuations.
- We are running virtual accounts workshops for our local government clients, to be held in February 2022; these workshops will highlight emerging issues and also consider any areas from the prior year's audits.
- We will complete our planning in this quarter, including our walkthrough of key information systems. We will bring our formal 2021/22 Audit Strategy Memorandum to the next Audit and Standards Committee. A summary of the planned work is set out in the diagram on the next page.

Audit progress

2021/22 audit

Planning February-March 2022

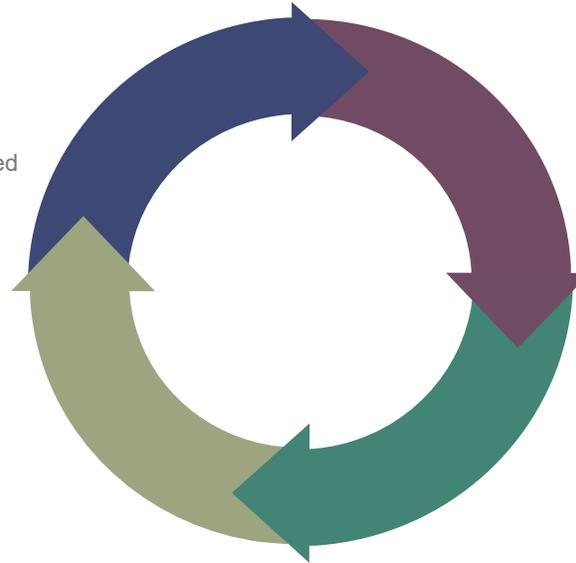
- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
-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

Completion July-September 2022**

- 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 and Accounts Committee
- Reviewing subsequent events
- Signing the auditor's report

**subject to receipt of Pension Fund auditor assurance and also the accounts being available for 1st July.

We note the proposed change to the deadline for audited 2021/22 accounts to 30 November 2022.



Interim February-April 2022

- 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 2022**

- 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

National publications

	Publication/update	Key points
Department of Levelling Up, Housing and Communities		
1.	Measures to improve local audit delays	This publication sets out the package of measures to support the improved timeliness of local audit.
Chartered Institute of Public Finance and Accountability (CIPFA)		
2.	CIPFA Issues consultations to strengthen Prudential and Treasury Management Codes	The consultations followed previous reviews of the codes' provisions, amid ongoing concerns over local authority commercial investments.
National Audit Office (NAO)		
3.	Financial sustainability of schools	Report on the financial sustainability of schools, including academies.
4.	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	Lessons learned report.
5.	Cyber and Information Security: good practice guide	Provides a good practice guide for audit committees on cyber security arrangements.
6.	The local government finance system in England: overview and challenges	Looks at what local government in England spends, how this spending is funded and the effect of changes in recent years.
NHS England Improvement		
7.	NHS 2022/23 priorities and operational planning guidance	The guidance, issued in December 2021, clarified arrangements around the new Integrated Care Boards, which will be in place from 1 April 2022, subject to the passage of legislation and CCGs retaining their statutory responsibilities until 1 July 2022.

continued overleaf

National publications

	Publication/update	Key points
Financial Reporting Council		
8.	Inspection findings into the quality of major local body audits	Sets out the findings of FRC's most recent quality inspection of major local audits.
Mazars LLP		
9.	2020-21 Transparency Report	Sets out the steps we take to enhance the quality of our audit work and ensure consistency of quality.

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

1. Measures to improve local audit delays

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. These measures will help to ensure that audit provides transparency and accountability in local government.

Challenges remain around the timeliness of local audit, one of the key issues highlighted by Sir Tony Redmond in his review. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays.

As the National Audit Office (NAO) outlined in its 2020 report (in respect of the 2019/20 year) [Timeliness of local auditor reporting on local government in England](#), a variety of complex factors are contributing to audit delays.

Recruitment and turnover

Audit firms are struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely. For auditors that are choosing to stay within the profession, alternative audit opportunities are often perceived as more attractive than local audit, which is contributing a high turnover of staff within firms.

Workload and regulatory pressures on auditors

In addition, increasing workload and regulatory pressure on auditors have contributed to further delays. The NAO found that the additional requirements of new International Financial Reporting Standards (IFRS), along with increased expectations from the Financial Reporting Council (FRC) following high-profile corporate failures such as Carillion and Patisserie Valerie, had combined to produce a significant increase in audit work, particularly on asset and pensions valuations. In some cases, issues with the preparation of local authority accounts have led to delays in audits being signed off.

Staffing pressures

In the face of competing workload pressures, some local authorities have diverted staff resources away from completing working papers and preparing accounts, while the quality of processes within the finance functions of some local authorities has affected their preparedness for audit. These issues, have, understandably, been exacerbated by the impact of the COVID-19 pandemic.

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

1. Measures to improve local audit delays (continued)

The government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. An additional £15 million in funding has been made available to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and additional costs resulting from new audit requirements, including the new value for money reporting arrangements.

In light of the extent of ongoing delays and capacity issues, a decision to revert to the previous deadline of 31 July would be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years. Therefore, subject to consultation, secondary legislation will be introduced to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 21/22 accounts. Following this, to provide certainty for the next contract period under the procurement arrangements being managed by PSAA, the deadline will revert to 30 September for 5 years from until 2027/28, and be reviewed at that point.

Subject to consultation, it is proposed that the deadline for preparing draft accounts remains at 31 May, as the majority of local authorities are continuing to meet this requirement and any changes would have implications for the Whole of Government Accounts.

The full publication can be seen at this link: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/measures-to-improve-local-audit-delays)

NATIONAL PUBLICATIONS

CIPFA

2. CIPFA Issues consultations to strengthen Prudential and Treasury Management Codes, September 2021

The consultations (which closed 16 November 2021) followed previous reviews of the codes' provisions, amid ongoing concerns over local authority commercial investments. The Prudential Code is a professional code that ensures that capital finance decisions are prudent and sustainable.

The Treasury Management Code, which sits alongside the Prudential Code, provides a framework for effective, risk-managed treasury management in public sector organisations.

CIPFA has set out that: "The key changes being brought forward in these consultations, especially those in the Prudential Code, clarify and update CIPFA's position on local authority commercial investment. The **revised code will emphasise that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities.**"

The full publication can be seen at this link: [The Prudential Code for Capital Finance in Local Authorities | CIPFA](#)

NATIONAL PUBLICATIONS

National Audit Office

3. Financial sustainability of schools, December 2021

The report concludes that the financial health of the mainstream school system has held up well despite the funding and cost pressures that schools have faced in recent years, although the data do not yet reflect the impact that the COVID-19 pandemic may have had. Most maintained schools and academy trusts are in surplus, but there are significant pressures on some maintained secondary schools. The concern in relation to the academy sector is that a sizeable minority of academy trusts are building up substantial reserves, meaning they are spending less than their annual income on their pupils. Ofsted inspection ratings suggest that mainstream schools have generally maintained educational quality, although there are indications that the steps schools are taking in response to financial pressures may adversely affect aspects of their provision.

Since the NAO last reported in 2016, the Department has implemented a range of sensible programmes to support schools to improve their resource management and achieve savings, which have generally been well received by the sector. The programmes have added value and helped schools to achieve savings. We found, however, that the Department's data have not been sufficiently complete or reliable to assess whether the programmes are having the impact it intended or achieving value for money. The Department has started to improve its data but, until it has better information, it cannot make fully informed decisions about the support it offers to schools and how continuously to improve it.

The full report can be seen at this link: <https://www.nao.org.uk/report/financial-sustainability-of-schools-in-england/>

NATIONAL PUBLICATIONS

National Audit Office

4. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

This report sets out the facts on:

- the government's approach to risk management and emergency planning (Part One);
- the actions the government took to identify the risk of a pandemic like COVID-19 (Part Two);
- the actions the government took to prepare for a pandemic like COVID-19 (Part Three); and
- recent developments (Part Four).

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The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall risk management approach.

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

The pandemic also highlighted the need to strengthen the government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

5. Cyber and Information Security: good practice guide, October 2021

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

- the overall approach to cyber security and risk management;
- capability needed to manage cyber security; and
- specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The guidance is based on NAO previous work and its detailed systems audits, which have identified a high incidence of access-control weaknesses. It also provides links to other government guidance and NAO resources.

The full report can be seen at this link: <https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

National Audit Office

6. The local government finance system in England: overview and challenges, September 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England, covering three main areas, summarised below.

Introduction to local government funding

Government policy and actions since 2010

Since 2010 successive governments have reduced funding for local government in England as part of their efforts to reduce the fiscal deficit, while making a range of changes to provide local authorities with greater flexibility and local accountability over their income. This part of the overview sets out:

- the extent of government funding reductions since 2010;
- policy developments intended to provide flexibility and local accountability;
- actions government has taken to support funding challenges including COVID-19; and
- key intended reforms to the local government finance system that have been delayed and remain undelivered.

Some results or consequences of these changes

The changes implemented by government have impacted on local authorities and caused behaviour change with greater reliance on local sources of income. This part of the overview sets out:

- the impact of funding reductions on patterns of local government spending;
- the impact of increased reliance on locally generated funding, including commercial investment;
- the impact on local authority finance of delays to reform; and
- evidence of strain on the financial resilience of local authorities and the mechanisms established to protect them.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/#>

NATIONAL PUBLICATIONS

NHS England Improvement

7. NHS 2022/23 priorities and operational planning guidance, December 2021

The objectives set out in this document are based on a scenario where COVID-19 returns to a low level and the NHS is able to make significant progress in the first part of next year as we continue to rise to the challenge of restoring services and reducing the COVID backlogs.

Building on the excellent progress seen during 2021/22, this means significantly increasing the number of people the NHS can diagnose, treat and care for in a timely way. This will depend on the NHS doing things differently, accelerating partnership working through integrated care systems (ICSs) to make the most effective use of the resources available to it across health and social care, and ensure reducing inequalities in access is embedded in its approach. As part of this, and when the context allows it, the NHS will need to find ways to eliminate the loss in non-COVID output caused by the pandemic.

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Securing a sustainable recovery will depend on a continued focus on the health, wellbeing and safety of our staff. ICSs will also need to look beyond the immediate operational priorities and drive the shift to managing the health of populations by targeting interventions at those groups most at risk and focusing on prevention as well as treatment. Significant progress has been made in preparing for the proposed establishment of statutory Integrated Care Systems. To allow sufficient time for the remaining parliamentary stages, a new target date of 1 July 2022 has been agreed for statutory arrangements to take effect and Integrated Care Boards to be legally and operationally established. The ICB will be established as a statutory body from 1 April 2022, subject to the legislation being passed, with the Clinical Commissioning Groups retaining their statutory responsibilities until at least 1 July 2022.

The publication can be seen at this link: <https://www.england.nhs.uk/publication/2022-23-priorities-and-operational-planning-guidance/>

NATIONAL PUBLICATIONS

Financial Reporting Council

8. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its [inspection findings into the quality of major local body audits](#) in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The full report can be seen at this link: <https://www.frc.org.uk/news/october-2021/frc-publishes-latest-major-local-audit-quality-ins>

NATIONAL PUBLICATIONS

Mazars LLP

9. 2020/21 Transparency Report

This report sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.

It sets out the following:

Inspiring stakeholder confidence in audit quality

- Investing in our people to drive purpose, pride and quality
- Delivering audit quality
- Quality monitoring
- Audit quality indicators
- Investor and audit committee dialogue
- Ensuring our objectivity and independence

Our risks

- Our approach to risk management

Our structure, leadership and governance

- Our unique business structure
- Leadership and Governance

The full report can be seen at this link: <https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-transparency-report-2020-2021>

Contact

Mazars
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Partner: Cameron Waddell
Email: cameron.waddell@mazars.co.uk

Senior Manager: Diane Harold
Email: diane.harold@mazars.co.uk

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
0191 383 6300

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Title of Report: Corporate Risk Management 2021/22 - Quarter 3 Update

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

Purpose of the Report

1. This report updates the Committee on Corporate Risk Management developments during the period 1 October 2021 to 31 December 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 third 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, November 2020, May 2021 and most recently November 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. This process has been further strengthened through the autumn with weekly updates by exception requested of Service Directors and Service Risk Champions regarding the short-term assessment of resilience in respect of their critical activities to provide CMT of assurance in relation to critical activities, and also highlight areas where additional support may be necessary.
11. Quarterly audit and risk reports are provided to Group Management Teams to highlight the activities for which Services have developed continuity plans.

Corporate Risk and Resilience Group

12. The Corporate Risk and Resilience Group has met monthly and last met 18 January 2022. The following items were considered:
 - Ongoing impact of COVID-19 on service delivery
 - Resilience and emergency planning
 - Updates from Groups and Services
13. During the winter period, which brings with it additional threats and service pressures, the Group has meet monthly to ensure a shared understanding of issues and a consistent corporate approach to assessment and mitigation.

Recommendation

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

Contact: Craig Oakes Ext. 3711

Strategic Risk Register as at 31 December 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.	CMT	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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