



AUDIT AND STANDARDS COMMITTEE AGENDA

Tuesday, 7 February 2023 at 4.00 pm in the Whickham Room - Civic Centre

From the Chief Executive, Sheena Ramsey

Item Business

1 Apologies for Absence

2 Minutes (Pages 3 - 8)

The Committee is asked to approve, as a correct record, the minutes of the meeting held on 25 October 2022.

3 Declarations of Interest

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

4 Local Code of Governance (Pages 9 - 22)

Report of the Strategic Director, Corporate Services and Governance

5 External Auditor - Audit Progress Report (Pages 23 - 46)

Report of the Strategic Director, Resources and Digital

6 Corporate Risk Management 2022/23 - Quarter 3 Update (Pages 47 - 52)

Report of the Strategic Director, Resources and Digital

7 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.

- 8 Internal Audit Plan 2022/23 Quarterly Monitoring Report to 31 December 2022** (Pages 53 - 62)

Report of the Strategic Director, Resources and Digital

- 9 Date and Time of Next Meeting**

Thursday 16 March 2023 at 4.00 pm in the Blaydon Room

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 25 October 2022

PRESENT: Councillor L Kirton (Chair)

Councillor(s): R Beadle, L Green, H Kelly, J McElroy,
R Mullen and C Ord

**INDEPENDENT
MEMBERS:** Stuart Bell
Laura Bowler

APOLOGIES: Independent Member(s): Ian Dormer

**ASC MINUTES
410**

The minutes were approved as a correct record.

ASC DECLARATIONS OF INTEREST

411

**ASC ANNUAL GOVERNANCE STATEMENT 2021/22 - INTERNAL AUDIT REVIEW OF
412 MANAGERS' ASSURANCES**

The Committee received a report to inform of the outcome of the work by the Internal Audit and Risk Service in reviewing the assurances provided by Service Directors to inform the 2021/22 Annual Governance Statement.

The Accounts and Audit Regulations 2015 require an Authority to produce an Annual Governance Statement setting out its governance arrangements and reviewing their effectiveness.

The Audit and Standards Committee agreed on 7 March 2022 an assurance framework which would provide evidence for the completion of the 2021/22 Annual Governance Statement.

Service Directors were asked to build on the work carried out in previous years and complete a self-assessment assurance statement detailing the level of assurance they felt they could place on their key control and governance processes. They were required to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance. There was also a requirement to detail the evidence to support this assessment. Internal Audit undertake an annual review of the assurance statements to ensure:

- Where key controls are not providing a sufficient level of assurance action

- has been taken to address these areas; and
- Where key controls are providing a good level of assurance, evidence exists to support this assessment.

The audit concluded that systems and controls were operating well and no recommendations have been made. The overall conclusion of this work is that the systems and processes for the completion of the Managers' Assurance Statements are effective and that they provided a good level of assurance for the 2021/22 Annual Governance Statement.

RESOLVED - That the information contained within the report be noted.

**ASC
413 CORPORATE RISK MANAGEMENT 2022/23 QUARTER 2 UPDATE**

The Committee received a report to provide an update on Corporate Risk Management during the period 1 July 2022 to 30 September 2022.

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. There have been no changes to the Strategic Risk Register during Quarter 2.

Operational Risks identified within the Council are recorded on the operational risk register. Work continues to ensure operational risk management activity within Services continue to align with service objectives, including those risks specific to operational objectives.

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 the cost effective business continuity plans. All Business Impact Assessments have been review bi-annually during the pandemic period from March 2020 with the most recent review in May 2022. This was to continue to identify threats to critical activities and potential increase demand on Council Services following a further wave of infections or incidents such as Storm Arwen. Business Continuity Plans are 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.

The Corporate Risk and Resilience Group last met 18 October 2022 and the following items were considered:

- Ongoing impact of Covid 19, cost of living pressures and energy on service delivery
- Resilience and emergency planning
- Updates from Groups and Services

RESOLVED - that the information contained within the report be noted.

ASC 414 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2022

The Committee received a report to inform of the review of the Treasury Management performance for the six months to 30 September 2022, covering investments and borrowing. This is consistent with approved performance management arrangements.

The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Code of Practice on Treasury Management and the Council's Treasury Policy Statement and Treasury Strategy which was approved by Council on 24 March 2022.

The Council operates a balanced approach and this means broadly that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing security and adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations.

The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 24 March 2022. There are no policy changes to the TMSS.

It was noted that the Council will continue to look at what borrowing is deemed as necessary and will overall continue with the policy of internal borrowing as this reduces borrowing costs.

RESOLVED - That the information contained within the report be noted.

ASC 415 AUDIT COMPLETION REPORT YEAR END 31 MARCH 2022 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2021/22

The Committee received a report to provide an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2021/22 by the Council's external auditor Mazars.

The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts should be approved by a Committee. In Gateshead's governance framework, this is the Accounts committee. However, best practice guidance outlines that the Audit and Standards Committee should also review the financial statements and external auditor's opinion. Review by this Committee is an additional step in the process to comply with best practice.

At the time of Mazars issuing the Audit Completion report the key messages are as follows:

- Audit Opinion - Subject to the conclusion of the satisfactory conclusion of the remaining audit work, Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements. However, this is subject to the conclusion of matters in relation to infrastructure.
- Identified misstatements – the auditor's identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report. Further work is ongoing in relation to the audit of revised actuarial disclosures, and the accounting treatment following the decision to bring, The Gateshead Housing Company back within the Council.
- Value for Money – at the time of issuing the report, Mazars anticipate having no significant weaknesses to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
- Whole of Government Account (WGA) – the timetable for the Council's submission for 2021/22 has not yet been published. Audit work will commence once such instructions have been received.
- Wider Powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No questions of objections have been received.

It is anticipated that all issues will be resolved by next month.

RESOLVED - That the Committee note the information contained within the report.

**ASC ACHIEVEMENT OF GOING CONCERN STATUS 2021-22
416**

The Committee were presented with a report which asks the Committee to consider the Council's status as a going concern and to agree based on the information provided in the report that it is.

As Local Authorities are created and abolished only by statutory changes there is an underlying assumption in the 2021/22 CIPFA/LASAAC Code of Practice on Local Authority Accounting (Accounting Code) that their accounts will be prepared on a going concern basis.

Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. Although the financial context continues to be challenging and uncertain the Council has a strong track record of meeting its financial obligations and maintaining financial sustainability through delivery within budget.

The Annual audit letter from Mazars includes a commentary on the Council's value for money arrangements which considers financial sustainability, governance and economy efficiency and effectiveness.

RESOLVED - That the Committee agrees that the Council is considered to

be a going concern based on the assessment in the report presented.

**ASC EXCLUSION OF THE PRESS AND PUBLIC
417**

RESOLVED - That the Press and Public be excluded from the meeting for consideration of Items 10 and 11 in accordance with paragraph 7 of Schedule 12A of the Local Government Act 1972.

**ASC MID YEAR COUNTER FRAUD UPDATE 2022/23
418**

The Committee received an update report on activity undertaken since 1 April 2022 by the Internal Audit and Risk Service in relation to the work of the Corporate Fraud Team. It also updates 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.

The Government's latest figure state that fraud costs local authorities an estimated £7.8billion per year. The risk of fraud and corruption is recognised as an operational risk and the Counter Fraud Policy and Strategy is identified as a control on the Strategic Risk Register.

The Counter Fraud and Corruption Strategy, Counter Fraud and Corruption Policy and Fraud Response Plan was agreed by Audit and Standards Committee on 29 January 2018 and approved by Council 22 March 2018. These are reviewed periodically, and any fundamental changes required would be reported to this Committee.

There are two officers who are Accredited Counter Fraud Specialists (ACFS) with CIPFA. The team are managed by a Senior Audit and Risk Officers. These officers carry out proactive anti-fraud and corruption work, targeting high risk areas and record and assess every referral to see if it warrants investigation.

RESOLVED - That the information contained within the report be noted.

**ASC INTERNAL AUDIT PLAN 2022/23 QUARTERLY MONITORING REPORT TO 30 SEPTEMBER 2022
419**

The Committee received a report which outlined the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2022/23 and which summarised the main findings arising from audit activity throughout the period 1 July 2022 to 30 September 2022.

The audit plan enables the Strategic Director, Corporate Resources to fulfil his delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.

It was reported that 44% of the audit plan for Gateshead Groups and Services in terms of actual audit hours against planned hours to date has been completed, which is on target to achieve the local performance target for the year.

Of the 20 assignments were completed during the period, the conclusion in nine cases was operating well, ten satisfactory and one significant weakness. The significant weakness opinion was for a school, arising from one high priority recommendation relating to the school not having a Record of Processing Activity, which is a legislative requirement, documenting how personal data is used. Management accepted the recommendation.

From the reviews carried out to 30 Sept 2022 audit work was found to be complying with Public Sector Internal Audit Standards and the Audit Manual.

All indicators are either on or exceeding targets, with the exception of productive or chargeable time, which was 65% against a target of 72%, which is due the relatively high instances of annual leave during the period, along with the extra public holiday. It was reported that if the target is profiled to take account of this, it shows that the position at this point in the year is on target to achieve the 72% position at the year end.

RESOLVED - That the information presented in the report be noted.

ASC 420 DATE AND TIME OF NEXT MEETING

The next meeting will take place on 31 January 2023 at 4.00pm.

Chair.....



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.

7. In previous years the Local Code of Governance has included an end column on 'action required'. When the code was last reviewed by the Committee this column was mentioned by members. Reference was made to the actions included in this column being annual reviews rather than specific actions. This column has been deleted as part of this year's review and, where relevant, references in the 'We demonstrate this by' column will show if issues are reviewed annually. Any specific one-off actions will in future be highlighted in bold in that column?

Recommendation

8. 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:
<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. • 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). • Leading by example and using these standard operating principles or values as a framework for decision making and other actions. • 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"> • Code of conduct for members of the Council (consistent with Nolan's Seven Principles of Public Life); identifying other Registerable Personal Interests. <u>This is updated as and when required.</u> • 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 • <u>Specific Professional Codes of Conduct for professional bodies which Council officers are members of</u> <ul style="list-style-type: none"> • Member Induction programme • Corporate induction for employees • Annual Governance Statement • Gift and Hospitality register • Regular manager/employee discussions and appraisal and development sessions • Whistleblowing Policy - Arrangements for the Public • Whistleblowing Policy for employees • Contract Procedure Rules

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	<ul style="list-style-type: none"> A national professional standards framework for social housing providers may be issued this year but its' form has not been determined yet. 	
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. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. 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. 	<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, including workforce delivery plan Equal Opportunities Policy Councillor Development Framework includes appropriate training. Training is reviewed annually to reflect changes in roles and remits. Strategic Commissioning framework Corporate Social Responsibility Pledge
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. 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. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. Dealing with breaches of legal and regulatory provisions effectively. 	<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 Council's decision making processes eg Planning and Development Committee Constitution which is reviewed annually

<ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> 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:	
<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. 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. 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. Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 		
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 Partnership arrangements/agreements/memorandum of understanding 	

<p>stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>	<ul style="list-style-type: none"> ● Partnership protocol ● Partnership guidance for officers ● Partnership Risk Register 	
<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. ● 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. ● Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. ● Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. ● Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. ● Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ● Taking account of the interests of future generations of tax payers and service users. 	<ul style="list-style-type: none"> ● Consultation principles ● Viewpoint panel ● Service user involvement forums ● Consultation portal ● Communications Strategy ● Social media ● Members' briefings ● Updates from the Leader of the Council ● Council News ● Numerous public surveys held throughout the year ● Gateshead Now email ● <u>Complaints page on Council's website</u> ● <u>The 'Contact Us' pages on the Council's website</u> ● Web feedback ● 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:	

<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. 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. Delivering defined outcomes on a sustainable basis within the resources that will be available. Identifying and managing risks to the achievement of outcomes. 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"> Corporate policy, planning framework Making Gateshead a Place Where Everyone Thrives strategic approach Service Business Plans Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23 – 2026/27 Corporate performance management framework Integrated Impact assessments Strategic and Operational Risk Registers which are reviewed at least annually Budget consultation Corporate Social Responsibility Pledge 	
<p>Sub principle: Sustainable economic, social and environmental benefits</p> <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. 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. 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. Ensuring fair access to services. 	<ul style="list-style-type: none"> Council reports include relevant implications Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23 – 2026/27 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 	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Sub principle: Determining interventions	We demonstrate this by:
<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. 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. 	<ul style="list-style-type: none"> Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23–2026/27 Decision making protocols Outcomes from consultations Council reports including summary of consultation, alternative options, and implications
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. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. Considering and monitoring risks facing each partner when working collaboratively including shared risks. Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. 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. Ensuring capacity exists to generate the information required to review service quality regularly. Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. 	<ul style="list-style-type: none"> Policy planning framework Project management Risk management policy Performance management and Improvement framework Project management Commissioning Strategy - monitoring mechanisms in place Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23–2026/27 Budget guidance Budget consultation Budget Report Capital Programme

<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 Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23 - 2026/27 	
<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"> Corporate Commissioning strategy Service Business Planning, reviewed annually 	
<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> Performance Management and Improvement Framework 	
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:	
<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 Performance Management and Improvement Framework Apprenticeship Strategy and Delivery Plan 	
<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 	<ul style="list-style-type: none"> Councillor officer protocol 	

<p>the relationship and that a shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> • Relevant job profiles • Constitution – delegated decisions • Induction Programme • Member personal development plans (Councillor support and development group) • Workforce Strategy <u>and</u> • Workforce Plan, <u>including workforce delivery plan</u> • <u>Succession planning and talent management</u> • <u>The appraisal process which is to be reviewed</u> • Learning from Ofsted and CQC Inspections • Scrutiny framework • Staff development plans linked to Appraisal and Development • 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"> • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. 		<p>Formatted: Indent: Left: 0.02", Hanging: 0.2", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"</p>
<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. 		<p>Formatted: Font: Bold</p>
<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"> • 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:	
<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. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. Ensuring that responsibilities for managing individual risks are clearly allocated. 		
Sub principle: Managing Performance	<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"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. 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. 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. 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 	
<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"> 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"> 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 	
<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"> Provide performance information to scrutiny and senior officer group Data sharing agreements in place regarding Troubled Families programme and health data 	
<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"> Internal audit of data quality on strategic outcome indicators 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. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<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 	
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:		
<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. 			
Sub principle: Implementing good practices in reporting	<ul style="list-style-type: none"> Corporate performance management framework Roles and responsibilities outlined in Constitution Audit and Standards Committee Cabinet agendas Five year Medium Term Financial Strategy, reviewed and refreshed at least annually 2022/23- 2026/27 Annual Governance Statement Council's Annual Report 		
<ul style="list-style-type: none"> Reporting at least annually on performance, value for money and the stewardship of its resources. Ensuring members and senior management own the results. 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). Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate. 			

<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. 		
Sub principle: Assurance and effective accountability		
<ul style="list-style-type: none"> Ensuring that recommendations for corrective action made by external audit are acted upon. 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. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. 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"> Managed through the Audit and Standards Committee - review of the effectiveness of internal audit Findings from internal audit programme of inspections are reported to Audit and Standards Committee. Ofsted and CQC inspections reported through political framework Annual governance statement Partnership arrangements and risk register <u>reviewed at least annually</u> Annual Audit Letter issued by external auditor 	

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.

Contact: Craig Oakes - Ext. 3711

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Audit Progress Report

Gateshead Metropolitan Borough Council

Page 25
Audit and Standards Committee February 2023



1. Audit Progress
2. National publications

01

Section 01: **Audit Progress**

1. Audit progress

Purpose of this report

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

2020/21 Audit

The National Audit Office has issued its auditor instructions for the 2020/21 Whole of Government Accounts process and we have now submitted the required auditor's return. NAO has not yet though communicated the arrangements for the sample of authorities where they require additional audit procedures to be carried out. The Audit Certificate will be issued, and the audit formally closed, when NAO has confirmed their requirements and any further requested work has been completed.

2021/22 Audit

The position on the key elements of the 2021/22 audit is summarised below.

Financial Statements audit

We presented our Audit Completion Report during the meeting of the Audit and Standards Committee in October. Our audit of the 2021/22 financial statements is virtually complete other than the following three areas which remain outstanding:

- central technical team clearance of the revised 2021/22 accounts, following final amendments for accounting for TGHC coming back in house from 1 April 2021;
- infrastructure (national issue); and
- outstanding Pension Fund auditor assurance (anticipated mid to late February 2023)

In respect of infrastructure, progress has been made on a national level, with guidance being issued and a statutory override being approved in late December 2022. The CIPFA bulletin, which sets out the updated guidance to Councils based on the December 2022 DLUHC amended Regulations, was issued on 11 January 2023. The Council's finance team is currently reviewing the updated guidance and considering what updates are required to the 2021/22 financial statements.

The next steps are for the Council to review the recently issued guidance and consider its 2021/22 infrastructure accounting and make amendments, as required. We are continuing to liaise with the finance team on this topic and will critically review the Council's assessment once working papers are available.

1. Audit progress (continued)

2021/22 Audit (continued)

Value for Money arrangements

We reported our interim findings in our October 2022 report to the Committee i.e. that there were no significant issues arising at that time and have continued to keep our risk assessment up to date. There have been no significant changes to our assessment of the Council's arrangements. We will update our assessment on this and the other criteria covered by the value for money commentary and set out our findings and conclusions in the Auditor's Annual Report.

Assurance work

We have been engaged by the Council to carry out two pieces of assurance work. The status of these engagements is as follows:

- Teachers Pensions Return 2021/22 – this was completed by the end of November 2022 deadline. There are no matters arising that we need to bring the Committee's attention.
- Housing Benefit Subsidy Assurance 2021/22 – this work was completed in December 2022, ahead of the January 2023 deadline. There are no matters arising from the work carried out to date that we need to bring the Committee's attention.

~~We anticipate also being engaged by the Council for the Pooling of Housing Capital Receipts Return for 2021/22; as the guidance has not yet been finalised or issued, we have not started work on this return yet; it is anticipated the guidance will be issued later in February 2023.~~

Whole of Government Accounts

NAO has not yet issued its auditor instructions for 2021/22. We will carry out the work required when the instructions have been received and update the Committee at future meetings.

2022/23 Audit

We are updating our risk assessments and completing our planning for the 2022/23 audit. We will present our formal Audit Strategy Memorandum to the Committee's next meeting and continue to update members on progress.

At this stage we do not anticipate any significant changes in the scope of the audit opinion work, the approach or timeline. We have confirmed the requirements of the revised ISA 315 which applies to the Council's 2022/23 audit and underpins the work we are required to carryout to identify and assess the risks of material misstatement. This enhanced standard will require additional audit work and it is likely that we will need additional information and responses from the Council's management beyond those asked at previous audits. We have included a short summary of the key points from the revised ISA315 within Section 2 of this report and we will continue to liaise with management on the information required and any impact on our risk assessment.

NAO has confirmed that there are no changes to their requirements for the auditor's value for money commentary on the Council's arrangements for 2022/23.

2. Revised ISA 315

Revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

(Effective for audits of financial statements for periods beginning on or after December 15, 2021)

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your audit are outlined below:

• Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the "spectrum of inherent risk", at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

The standard also increases the focus on auditors identifying the assertions where the inherent risk lays. For clarity, we include a table of assertions:

Completeness	Is the balance complete?
Accuracy & valuation	Are transactions accurately recorded and assets and liabilities appropriately measured?
Classification	Is the balance classified correctly?
Occurrence	Did the transaction occur?
Existence	Does the item exist?
Rights & obligations	Does the entity own the item?
Cut-off	Is the item recorded in the correct financial year?
Presentation & disclosure	Is the item presented in the accounts appropriately?

2. Revised ISA 315

Consideration of account balances and assessing inherent risks

Under the revised ISA 315 we will make an assessment of the inherent risks associated with the Council's transactions, balances and disclosures. We then determine whether each transaction, balance and disclosure is a 'significant account' (i.e. a significant class of transactions, balances and disclosures) and identify the assertions that are relevant. We then consider the controls the Council has in place and conclude whether or not we consider the audit risk associated to each item is significant, i.e. after taking into account the controls in place is there a significant risk of material misstatement in relation to the relevant assertion. In addition, the revised ISA requires auditors to document more closely the key business process associated with each significant account with a focus on the processes for how transactions are initiated, recorded, processed, and incorporated into the general ledger.

Greater emphasis on IT

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

Increased focus on controls

In addition to the above, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

Impact on the audit of the Council

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment although we will need to update our assessment following the financial system changes in 2022/23. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

02

Section 02: **National publications**

National publications

Publication/update	Key points
Financial Reporting Council (FRC)	
1 FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
Chartered Institute of Public Finance and Accountability (CIPFA)	
2 CIPFA : Audit Committees Practical Guidance for local authorities and police	Guidance and resources for audit committee members.
3 Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
4 Update to the Code and Specifications for future Codes for Infrastructure Assets	An update to the 2021/22 Code, which also updates the 2022/23 Code and will apply to subsequent years until the 2024/25 Code.
5 CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution	The bulletin covers the issues to be considered regarding the temporary solution set out in the Code update and the amended Regulations for the accounting and reporting issues relating to infrastructure assets
5 Integrating Care	CIPFA has published a report entitled, 'Integrating care: policy, principles and practice for places'.
Public Audit Forum	
6 Consultation responses to the revised Practice Note 10	The Public Audit Forum (PAF) oversees the development and publication of the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom which was revised in 2022.
	PAF has now published the responses to the consultation and final draft amendments. These amendments were approved by the Financial Reporting Council in November 2022.
National Audit Office (NAO)	
7 Guide to Corporate Finance in the Public Sector	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities

National publications

	Publication/update	Key points
8	Government Shared Services	The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver.
9	Departmental Overview 2021/22	The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021/22
Public Sector Audit Appointments Ltd		
10	Publication of the 2022/23 fee scale	External audit fees for 2022/23
11	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
12	PSAA announces the number of audit opinions completed for the 2021/22 audits	PSAA has published this year's position on delayed audit opinions.
Department for Levelling Up, Housing and Communities		
13	Technical consultation on consequential changes to the homelessness legislation	This consultation aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.
14	Local government finance policy statement 2023/24 to 2025/26	The policy statement sets out the government's intentions for the local government finance settlement for the next 2 years.
15	The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022	These amended Regulations provide local authorities with the temporary statutory override option to allow them to progress and resolve any issues relating to their accounting for Infrastructure Assets.

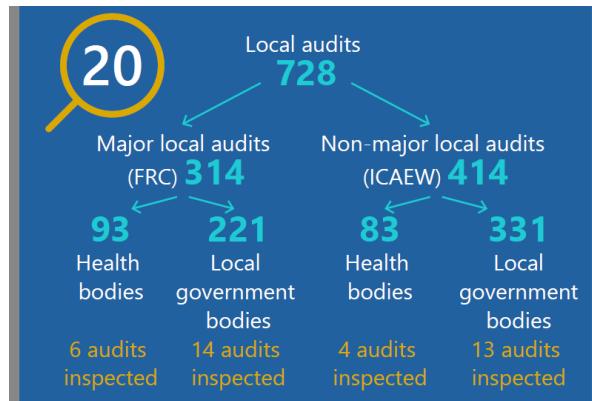
NATIONAL PUBLICATIONS

Financial Reporting Council

1. FRC Major Local Audit Inspection Report - October 2022

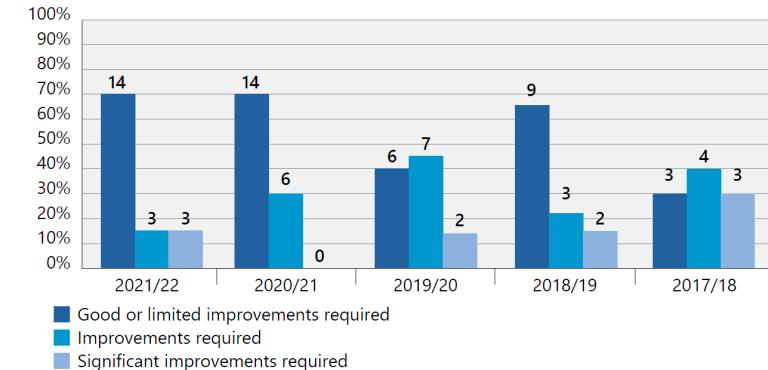
The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
EY LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	314		20



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021/22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

NATIONAL PUBLICATIONS

CIPFA

2. CIPFA : Audit Committees Practical Guidance for local authorities and police 2022 edition – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review.

The link to the publication is here: <https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

3. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

NATIONAL PUBLICATIONS

CIPFA

4. Update to the Code and Specifications for future Codes for Infrastructure Assets (November 2022), and CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution (January 2023)

This November 2022 publication is an Update to the 2021/22 Code, but it also updates the 2022/23 Code and will apply to subsequent years until the 2024/25 Code, though these specifications will also be included in the 2023/24 and 2024/25 Codes for completeness. This Update to the Code and future specifications for the Code must therefore be considered against these editions of the Code, or where necessary earlier editions.

<https://www.cipfa.org/-/media/files/policy-and-guidance/cipfa-lasaac/ifrs-based-code-update-infrastructure-assets.pdf>

The January 2023 CIPFA Bulletin 12 provides further practical guidance and covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets. The Bulletin takes into account the matters set out in the amended regulations published in December 2022 (see item 15 later in this report). The objective of the bulletin is to provide guidance on the temporary solution for accounting for infrastructure assets, focussing on the reporting of the derecognition provisions where there is replacement expenditure and particularly for highways infrastructure assets

The temporary solution includes the Update to the Code and Specifications for Future Codes for Infrastructure Assets (Update to the Code) from 1 April 2021 to 31 March 2025 which features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and the statutory prescriptions from England and Wales and Scotland

The Bulletin also includes guidance on accounting for the pattern of consumption of economic benefits and service potential i.e. depreciation.

The Bulletin includes guidance on materiality, an overview of different elements of the temporary solution, the accounting requirements for derecognition including the statutory prescription, the impact on accounting policies and the reporting requirements for disclosure of gross cost and accumulated depreciation.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-12-accounting-for-infrastructure-assets-temporary-solution>

5. CIPFA publishes integrating care report – December 2022

CIPFA has published a report entitled, 'Integrating care: policy, principles and practice for places'. The report provides an overview of the changes since the Health and Care Act 2022 was introduced and discusses what integration is seeking to achieve. It considers the wider health and care landscape in the current climate and addresses the remaining challenges at place level.

The recommendations and case studies it contains are intended to influence the development of further policy and guidance by central government, and to provide support for practitioners at local level. The purpose of the report is to help health and local government partners to find effective solutions to the challenges of health and care integration.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/press-release-cipfa-publishes-integrating-care-report>

NATIONAL PUBLICATIONS

Public Audit Forum

6. Consultation on Practice Note 10 (Revised 2022): Summary of Responses and Proposed Amendments – December 2022

The consultation on the exposure draft of the 2022 revision of Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (PN 10) closed on 16 September 2022 and this document summarises the responses to the consultation and the amendments the Public Audit Forum (PAF) proposes to make to the final draft as a result.

Part 1 of PN 10 provides guidance on applying auditing, quality management and ethical standards in the public sector. It is important to consider potential changes to PN 10 in the context of PN 10's status as a Statement of Recommended Practice (SORP): a set of sector-driven recommendations on (in this case) auditing practices for the public sector which guide auditors on how to apply the underlying standards, including International Standards on Auditing (UK) (ISAs (UK)), in the specialised context of the public sector. The PAF has no role in determining the principles or requirements which are included in the ISAs (UK). The PAF also has no direct role in setting the financial reporting frameworks for public sector entities (although member bodies of the PAF maintain dialogue with the framework setters).

As set out in the summary of responses included in the report, respondents commented on a range of issues faced by auditors of public sector entities. By far the most-cited issue was the current situation in local audit in England and current delays in completing audits of local authorities. A number of respondents suggested various ways in which the consultation draft of PN 10 might be amended so as to ameliorate some of these issues by reducing the audit effort in particular areas. There were suggestions that the proposed changes to the guidance on applying ISA (UK) 320 Materiality in planning and performing an audit may have a significant impact on local auditors' approach to materiality judgements.

<https://www.public-audit-forum.org.uk/wp-content/uploads/2022/12/Practice-Note-10-Consultation-Response-2022.pdf>

NATIONAL PUBLICATIONS

National Audit Office

7. Guide to Corporate Finance in the Public Sector - September 2022

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

- Principles and concepts
- Organisations and functions
- Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

<http://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/>

8. Government shared services – November 2022

The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver. It aims to answer the following questions:

- Has the government made progress since we last reported on shared services in 2016? (Part One)
- Are the right conditions in place for the government to deliver its proposed efficiencies and savings? (Part Two).
- Has the government put in place mitigating actions to address the future challenges it faces in delivering its strategy? (Part Three)

The report concludes the government's previous shared services strategies failed to deliver their intended cost savings and other benefits. Its new Shared Services Strategy is highly ambitious and, while most departments consider the cluster model a sensible approach, there are several fundamental elements yet to be put in place that are jeopardising the success of the strategy. For example, the Cabinet Office is still unclear on the extent of the benefits this programme can be expected to bring. It is difficult to judge what progress has been made on enablers such as process and data convergence.

The report highlights concerns that these gaps cause uncertainty for departments and mean that the Cabinet Office will repeat past failures. The NAO, therefore, cannot conclude that this programme is on track to demonstrate value for money.

<https://www.nao.org.uk/reports/government-shared-services/#downloads>

NATIONAL PUBLICATIONS

National Audit Office

9. Departmental Overview 2021/22: Department for Levelling Up, Housing & Communities - December 2022

The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021/22. DLUHC spends nearly £38 billion each year to support economic growth and housing across the country, in collaboration with local authorities. It has overall responsibility in central government for local authorities' funding. Along with other bodies, DLUHC oversees the core accountability system for local authorities.

The guide summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England, and DLUHC's Annual Report and Accounts.

<https://www.nao.org.uk/overviews/departmental-overview-2021-22-department-for-levelling-up-housing-communities/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

10. News release: Publication of the 2022/23 fee scale – November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards.

The fee scale applies for the audit work to be undertaken by appointed auditors in respect of the 2022/23 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements for the period 2018/19 to 2022/23.

Auditors will undertake their work under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Under the Local Audit (Appointing Person) Regulations 2015, the 2022/23 fee scale must be published by 30 November 2022 and cannot be amended after that date. Any subsequent changes in national requirements or local circumstances relating to the 2022/23 audits will therefore be the subject of fee variations.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2023. PSAA will consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

11. Directory of Auditor Appointments from 2023/24 – December 2022

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The Board agreed the appointments at its meeting on 16 December 2022.

<https://www.psaa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

12. PSAA announces the number of audit opinions completed for the 2021/22 audits – December 2022

This year's position on delayed audit opinions underscores the scale of the huge challenge that local audit is facing. At the publishing date of 30 November 2022, only 12% of local government bodies' 2021/22 audit opinions have been given. Although this is slightly higher than last year's 9%, this year's publishing date is two months later than the 30 September target for delivery of 2020/21 opinions.

The table below highlights a comparison with previous years.

Year of Account	Publishing Date	Opinions given at the publishing date
2021/22	30 November 2022	12%
2020/21	30 September 2021	9%
2019/20	30 November 2020	45%
2018/19	31 July 2019	57%

What makes the latest position increasingly alarming is that more than 220 opinions from prior years remain outstanding. As opinions have been given at fewer than 60 bodies for 2021/22, this means that a total of more than 630 opinions are currently late. This year the position has been made more difficult by uncertainties concerning the valuation of infrastructure assets, adding to significant ongoing challenges of recruiting and retaining sufficient staff with the requisite knowledge, skills and experience to both prepare and audit the accounts to the required standard.

<https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

13. Technical Consultation on Consequential changes to the homelessness legislation – December 2022

This consultation seeks views on the consequential amendments to homelessness legislation as a result of the Renters Reform Bill, namely, the removal of section 21 evictions, assured shorthold tenancies and fixed-term tenancies and aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.

The scope of the consultation is limited to responses on the legislative technical amendments. The majority of the amendments to the legislation are minor and, while the consultation is open to everyone, most responses are expected to be from local authorities and charities in the homelessness space.

The consultation will run for 7 weeks.

<https://www.gov.uk/government/consultations/technical-consultation-on-consequential-changes-to-the-homelessness-legislation/technical-consultation-on-consequential-changes-to-the-homelessness-legislation>

14. Local government finance policy statement 2023/24 to 2024/25 – December 2022

The Local government finance policy statement sets out the government's intentions for the local government finance settlement for the next 2 years, providing councils with greater certainty on key aspects of their funding to inform their budget setting process and help them to plan for the future.

For the core settlement the Business Rates Multiplier for 2023/24 will be frozen at 49.9p and Revenue Support Grant (RSG) will increase in line with CPI.

For council tax the bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts remains.

In respect of the remaining settlement grants, the Rural Services Delivery Grant will remain unchanged, in recognition of the inflationary pressures across the sector the Lower Tier Services Grant will be repurposed along with a proportion of the expired New Homes Bonus legacy payments to create a new one-off, funding guarantee. This will ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. There will also be new rounds of New Homes Bonus (NHB) payments in 2023/24.

These proposals are subject to consultation which will last for 4 weeks from 19 December 2022 to 16 January 2023.

<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

15. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 – December 2022

These amended regulations came into force 25 December 2022.

New regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (i.e. either a nil amount or to follow the Code). Regulation 30M applies to statements of accounts for financial years beginning on or before 1 April 2024, and to those statements of accounts that have not already been certified by a local auditor.

The accompanying explanatory memorandum sets out the government's expectation in interpreting the statutory provision which is that where local authorities determine the carrying amount to be derecognised at nil value, no further evidence is required to support this. The government has indicated that 'determination' should be interpreted as a choice by an authority. As set out in the Local Government Act 2003 S.21 (3), where there is conflict between accounting practices specified in regulations and those in Code, the practices in regulations take precedent. The government has indicated that the intent of the Regulations and the Update to the Code is to mitigate the risks of further audit delays or the qualification of accounts due to issues relating to infrastructure assets, as described.

<http://www.legislation.gov.uk/uksi/2022/1232/introduction/made>

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Page 45

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Title of Report: **Corporate Risk Management 2022/23 - 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 2022 to 31 December 2022.

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 2022/23, as cited in the Corporate Risk Management Annual Report 2021/22, 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 2022/23. 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 continues 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 and correct information to inform the management response.

Business Continuity Management

8. In accordance with the Council's Business Continuity Policy 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 have been reviewed bi-annually since the start of the Pandemic in March 2020 with the most recent review in November 2022. This exercise uses the agreed corporate Business Continuity Framework to allow Services to assess which activities might require additional support to strengthen resilience and estimate the officer numbers and skills that might be needed as we moved into the winter period and the challenges that brings.
10. Business Continuity Plans are revised accordingly to mitigate and, as far as possible, shape the response to 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.
11. Quarterly audit and risk reports are provided to Group Management Teams to highlight the critical activities for which services have developed continuity plans.

Corporate Risk and Resilience Group

12. The Corporate Risk and Resilience Group last met 17 January 2023. The following items were considered:
 - Review of recent Business Impact Assessment and Business Continuity Plan seasonal refresh.
 - Economic update from the Economic Policy and Partnerships Unit.
 - Resilience and emergency planning including discussion should there be planned power outages and participation in a national planning event in March 2023.
 - Updates from Groups and Services.

Recommendation

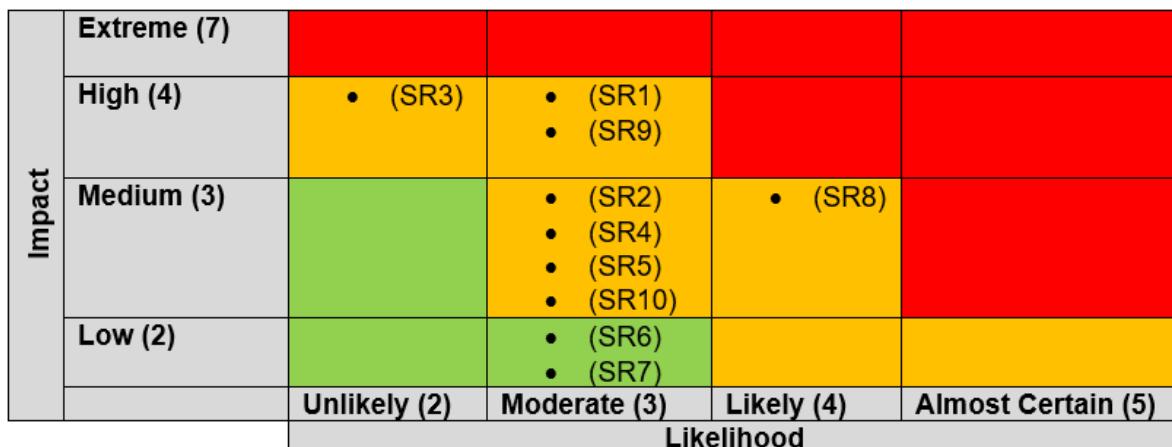
13. It is recommended that the Committee note the report and consider the effectiveness of the Council's risk management arrangements.

Contact: Craig Oakes Ext. 3711

Appendix 1

SR 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

Strategic Risk Map



SR	Risk description	Risk owner
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
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT
3	Failure to safeguard vulnerable children and adults	CMT
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT
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	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance

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Agenda Item 8

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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