

AUDIT AND STANDARDS COMMITTEE AGENDA

Tuesday, 25 April 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 - 6) The Committee is asked to approve, as a correct record, the minutes of the meeting held on 16 March 2023.
3	Declarations of Interest Members of the Committee are invited to declare interests in any agenda items.
4	External Auditor: Audit Progress Report (Pages 7 - 20) Report of the Strategic Director, Resources & Digital
5	Internal Audit Charter, Strategy Statement and Annual Plan 2023/24 (Pages 21 - 50) Report of the Strategic Director, Resources and Digital
6	Corporate Risk Management 2022/23 - Quarter 4 Update (Pages 51 - 54) 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 March 2023 (Pages 55 - 64) Report of the Chief Internal Auditor
9	Date and time of next meeting Tuesday 20 June 2023 at 4.00 pm in the Whickham Room

Contact: Helen Wade Tel: 0191 433 3993 - Email: helenwade@gateshead.gov.uk, Tel: ,
Date: Monday, 17 April 2023

GATESHEAD METROPOLITAN BOROUGH COUNCIL AUDIT AND STANDARDS COMMITTEE MEETING

Thursday, 16 March 2023

PRESENT: Councillor L Kirton (Chair)
Councillor(s): R Beadle, H Kelly, J McElroy, Mr Stuart Bell (Independent Member), R Mullen and C Ord

IN ATTENDANCE: Councillor(s):

APOLOGIES: Councillor(s): L Green

ASC429 MINUTES

The minutes were approved as a correct record.

ASC430 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC431 ANNUAL GOVERNANCE STATEMENT 2022/23 - ASSURANCE FRAMEWORK

The Committee received an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2022/23 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

The assurance framework supports the AGS and provides councillors with information on the Council's control environment and governance arrangements. It maps the Council's strategic objectives to risks and controls and seeks assurance from a number of sources of Council activity.

The process of preparing the AGS should itself add value to the effectiveness of the Governance Assurance Framework. The assurance process will demonstrate four aspects:

- **Identify** – what do we want assurance on?
- **Assess** – what are the sources of assurance?
- **Review** – how is assurance validated?
- **Act** – what are the opportunities to improve?

The Committee were advised that in preparing the governance statement it will be necessary to review evidence from the following sources which together form the assurance framework:

- Governance arrangements

- Councillors
- Senior Managers
- The system of internal audit
- Risk Management arrangements
- Counter Fraud arrangements
- Performance Management and data quality
- Views of the external auditor and other external inspectorates
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other sources of assurance

The Committee were advised that the Council has a Local Code of Governance which was last updated and agreed by the Audit and Standards Committee on 7 February 2023. This code defines how the Council complies with the principles of good governance as set out in the Local Code of Governance developed by CIPFA, Delivering Good Governance in Local Government: Framework. 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

The Committee were advised that a corporate group, chaired by the Strategic Director, Resources and Digital will use the findings of the sources of assurance to form a view on the adequacy of the Council's overall internal control and governance arrangements.

Using evidence from this assessment the Group will prepare the AGS for 2022/23 for approval by the Audit & Standards Committee in June 2023. This will then accompany the Statement of Accounts for 2022/23.

RESOLVED – That the Assurance Framework as set out in the report be agreed.

ASC432 TREASURY POLICY STATEMENT AND TREASURY STRATEGY 2023/24 TO 2027/28

The Committee received the proposed Treasury Policy Statement and Treasury Strategy for 2023/24 to 2027/28 prior to consideration be Cabinet.

The Committee were informed that in order to provide a framework for the Strategic Director, Resources and Digital to exercise his delegated powers, the Council agree a five-year Treasury Management Policy and Treasury Strategy which is reviewed at the start of each financial year.

The Committee were advised that the Treasury Policy and Treasury Strategy appended to the main report have been prepared considering the Local Government Act 2003, Department for Levelling up, Housing and Communities (DLUHC) Guidance on Local Government Investments, CIPFA's Prudential Code for Capital (2021) and CIPFA's Code of Practice on Treasury Management (2021).

The Committee were asked to review the Treasury Policy and Treasury Strategy to ensure that the Council fully complies with the requirement of good financial practice in Treasury Management.

The Committee also requested that in future any changes that occur from year to year within the report are identified and highlighted for consideration by the members of the Committee.

- RESOLVED -
- i) That the information be noted
 - ii) That the recommendations on the Treasury Policy and the Treasury Strategy be noted and submitted to Cabinet.

ASC433 EXTERNAL AUDITOR PROGRESS REPORT

The External Auditor presented the Committee with the Audit Progress Report and details of national publications and key points for noting by Committee.

RESOLVED – That the information be noted.

ASC434 DATE AND TIME OF NEXT MEETING

Thursday 25 April 2023 at 4.00 pm

Chair.....

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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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Audit and Standards Committee
April 2023



1. Audit Progress
2. National publications

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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.

2021/22 Audit

This April progress report provides an update to the position set out in our March progress report.

Our audit of the 2021/22 financial statements is virtually complete. Since our last progress report, we have received the outstanding Pension Fund auditor assurance, which did not highlight any significant issues. We will report our formal findings, as in previous years, in a follow-up letter to our Audit Completion Report.

2022/23 Audit

The timeline for the 2022/23 audit is set out on the following page.

Our planning and interim work are ongoing following the introduction of the new ISA315(r) standard, as previously reported to the Audit and Standards Committee in our February 2023 progress report. From our planning work so far, there are no new significant risks to highlight to the Committee for 2022/23 and no new independence issues we are required to report to you, noting that our risk assessment is continuous, right up until when the auditor's opinion is given; in particular we will update our risk assessment upon receipt of the draft 2022/23 financial statements and will report any changes to this Committee. We intend to issue our Audit Strategy Memorandum to the next Audit and Standards Committee meeting

There is a change of Engagement Lead for 2022/23, due to rotation rules; Cameron Waddell will be replaced by James Collins. There will also be a change of Engagement Manager, from Diane Harold to Joanne Greener. Diane will work closely with Joanne as part of the handover and completion of the 2021/22 audit.

Audit timeline

Under the Accounts and Audit Regulations, the Council is required to publish its draft statement of accounts for 2022/23 by the end of May and publish audited statements by the end of September. The timetable is subject to a number of assumptions and we will update the Committee on any significant changes that we agree with the Council.

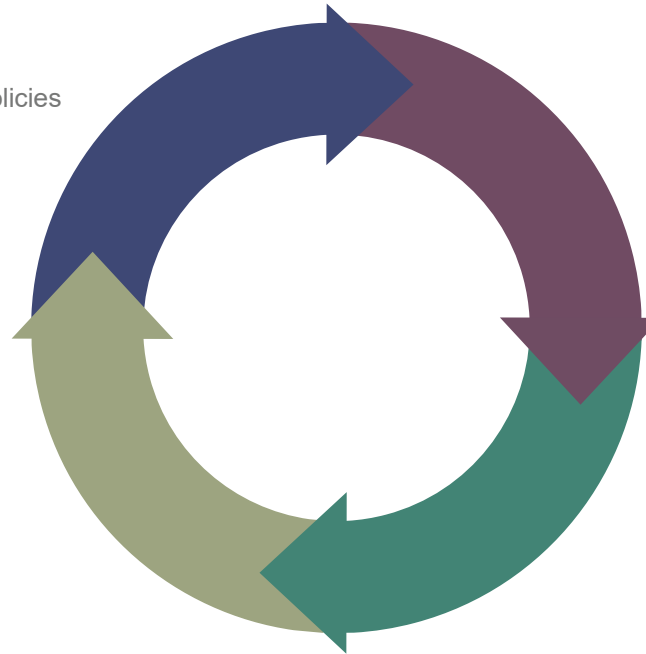
Planning January-March

- 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 September*

- Final review and disclosure checklist of financial statements
- Final review of the financial statements by our technical team (required for larger audits)
- Final partner and Engagement Quality Control Reviewer review
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee and Accounts Committee
- Reviewing subsequent events
- Signing the auditor's report

* depending on timing of receipt of the Pension Fund auditor assurance



Interim March-April

- 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*

- 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

*subject to receipt of the financial statements at the beginning of July

Value for money

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

We undertake our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility is to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information;• information from internal and external sources including regulators;• knowledge from previous audits and other audit work undertaken in the year; and• interviews and discussions with staff and Members.
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• significant weaknesses identified and our recommendations for improvement; and• emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, work completed to-date has not identified any risks of significant weaknesses in arrangements.

We will report any identified risks to the Audit and Standards Committee and Accounts Committee, if any arise, as part of our continuous risk assessment procedures.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	Tackling fraud and corruption against local government (March 2023)	Outside of tax and welfare, government still lacks robust assessments of where and what its fraud risks are, and most public bodies cannot demonstrate that they have counter-fraud resources commensurate with the risk.
Local Government Association		
2	Local Leadership Framework for Councillors (March 23)	The purpose of this framework is to support councillors in their local leadership role as they work with local communities to make a difference. It includes suggestions, prompts and further resources.

NATIONAL PUBLICATIONS

NATIONAL AUDIT OFFICE (NAO)

1. Tackling fraud and corruption against local government (March 2023)

This report focuses on fraud and corruption against government and, therefore, the taxpayer.

The report sets out that government has made some progress since the NAO last reported in 2016. It has established the Government Counter Fraud Function (GCFF) and the Government Counter Fraud Profession (GCFP). More recently it established the Public Sector Fraud Authority (PSFA) to improve its understanding of fraud attacks against government and to improve the standards of the counter-fraud function and profession.

However, outside of tax and welfare, government still lacks robust assessments of where and what its fraud risks are, and most public bodies cannot demonstrate that they have counter-fraud resources commensurate with the risk.

The creation of the PSFA presents the opportunity for a renewed focus on fraud and corruption.

The report includes:

- Types of fraud and corruption risks across government and where they have been measured; and
- Good practice guidance relevant to tackling fraud and corruption against government.

<https://www.nao.org.uk/reports/tackling-fraud-and-corruption-against-government/>

NATIONAL PUBLICATIONS

LOCAL GOVERNMENT ASSOCIATION (LGA)

2. Local Leadership Framework for Councillors (March 23)

The purpose of this framework is to support councillors in their local leadership role as they work with local communities to make a difference. It includes suggestions, prompts and further resources.

The framework builds on the roles and skills set out in 'The 21st-century Councillor' research report – which sets out seven key future roles for councillors. These show how councillors are adapting to a series of new challenges such as perma-austerity, evolving citizen expectations, new technologies, different scales of working and the changing organisation of public services at local level. The leadership skills in this framework will enable councillors to fulfil the 'seven roles of the 21st-century councillor', identified in the research report namely:

- steward of place – working across the local area in partnership with others
- advocate – acting to represent the interests of all citizens
- buffer – seeking to mitigate the impact of austerity on citizens
- sensemaker – translating a shift in the role of public services and the relationship between institutions and citizen
- catalyst – enabling citizens to do things for themselves, having new conversations about what is now possible
- entrepreneur – working with citizens and partners to encourage local vitality and identify creative new solutions
- orchestrator – helping broker relationships, work with partners and develop new connections.

<https://www.local.gov.uk/publications/local-leadership-framework-councillors#about-this-framework>

Contact

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Title of Report: Internal Audit Charter, Strategy Statement and Annual Plan 2023/24

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

Purpose of the Report

1. The report sets out the proposed Internal Audit Charter, Strategy Statement and Annual Plan of work to be undertaken by the Internal Audit & Risk Service in 2023/24.

Background

2. The terms of reference for Internal Audit are outlined in the Financial Regulations, which form part of the Council's Constitution and the Internal Audit Charter.
3. The Internal Audit & Risk Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Council's resources.
4. The Strategic Director, Resources and Digital has 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. The Accounts and Audit Regulations also require Councils to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*".
5. The Chief Internal Auditor manages the Internal Audit & Risk Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a systematic review and evaluation of all aspects of the internal control environment.
6. The principal objective of the Internal Audit & Risk Service is to assist service managers in delivering the priorities of the Council and its partners, through the assessment of exposure to risk and the continuous improvement of the control environment.

Internal Audit Charter

7. The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS).

8. A key element of compliance with PSIAS is the periodic review and approval by the Audit and Standards Committee of an Internal Audit Charter. The Chief Internal Auditor has carried out an annual review of the Internal Audit Charter and confirmed that it continues to reflect best practice and no amendments are required.
9. The Public Sector Internal Audit Standards (PSIAS) define internal audit as:

‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’
10. These standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
11. The Charter is a formal document that defines Internal Audit’s purpose, authority and responsibility setting out the Chief Internal Auditor’s functional reporting relationships, authorising rights of access for internal audit staff and defining the scope of internal audit activity. Final approval of the Internal Audit Charter resides with the Audit and Standards Committee.
12. The Internal Audit Charter is attached at Appendix A. It was last circulated to Committee in April 2022.

Basis for the Audit Plan

13. Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). PSIAS state that the Chief Internal Auditor *“must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”*.
14. In accordance with the PSIAS, the input of senior management must be considered in this process. All Service Directors were given the opportunity to contribute towards the plan.
15. The Chief Internal Auditor forms an annual assurance opinion based on the programme of audit work as well as assurance obtained from other means. Combined assurance aims to optimise the assurance coverage obtained from management, and both internal and external assurance providers.
16. In addition to audit, the Chief Internal Auditor considers any issues identified through counter fraud and irregularities or developing systems and processes insofar as they impact on the effective operation of governance, risk management or internal controls.
17. The plan for 2023/24 also includes three dedicated Corporate Fraud posts. These officers will continue to develop and embed the Council’s Counter Fraud & Corruption Strategy as well as conducting any fraud and irregularity

investigations. Updates in relation to Counter Fraud activity will be presented biannually to the Committee.

18. The plan includes an allocation for advice and consultancy to all Services and Partnerships where appropriate. This is an increasing area of focus given the amount of change ongoing across the Council and its partners. Time is allocated to support developing systems, ensuring early engagement and audit support across the Council.
19. Rather than a traditional cyclical-based approach, the plan focuses on the main risks to the Council. It provides a balanced approach to traditional compliance work with advisory work as a catalyst for service improvement and to sharpen focus on emerging risks. The plan is flexible and is reviewed and adjusted throughout the year as necessary in response to changes in policies, systems, processes, risks and controls across the Council.
20. The Audit Strategy Statement is attached at Appendix B and the Annual Plan for 2023/24 is attached at Appendix C. The approach to the plan is that it is flexible, supportive, challenging, prioritised and timely, all characteristics endorsed by PSIAS which ensures the plan maintains focus on emerging risks and that assurance is continually focused on the most important risks to the Council, retaining flexibility to reprioritise assurance activities as required.

Recommendations

21. The Committee is asked to:
 - Note the report and the opinion that the Internal Audit Charter continues to comply with Public Sector Internal Audit Standards;
 - Agree the Audit Strategy Statement and the Annual Plan of work to be provided by the Internal Audit & Risk Service for 2023/24; and
 - Agree to receive quarterly monitoring reports showing progress made against the plan.

Contact: Craig Oakes - ext. 3711

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Internal Audit Service

Internal Audit Charter 2023/24

1. Introduction

- 1.1 The Chief Internal Auditor is responsible for effectively managing the activity of the Internal Audit Service in accordance with this Charter. This Charter has been written in accordance with UK Public Sector Internal Audit Standards (PSIAS) and is the formal document that defines internal audit's purpose, authority and responsibility. The Charter also establishes internal audit's position within the organisation, including access to records, personnel and physical property.

2. Statutory Basis

- 2.1 Internal Audit is statutory service in the context of the Accounts and Audit Regulations (England) 2015, which states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN) constitute proper practices to satisfy the requirements for larger relevant local government bodies set out in the Accounts and Audit Regulations 2015. The Charter has been reviewed to ensure it remains compliant with these requirements.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of these affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include 'compliance with the statutory requirements for accounts and internal audit'.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer (CFO) states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support internal audit arrangements; and

- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively.
- 2.5 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.
- 3. Definition of Internal Auditing**
- 3.1 The Council’s Internal Audit Service has adopted the mandatory definition of internal auditing as set out in the common set of PSIAS:
- “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”
- 4. Mission of Internal Audit**
- 4.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. The Council’s Internal Audit Service has adopted the mission statement set out in the PSIAS:
- “To enhance and protect organisational values by providing risk-based and objective assurance, advice and insight.”
- 5. Core Principles for the Professional Practice of Internal Auditing**
- 5.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective in achieving its mission, all the following principles should be present and operating effectively:
- Demonstrates integrity;
 - Demonstrates competence and due professional care;
 - Is objective and free from undue influence (independent);
 - Aligns with strategies, objectives and risks of the organisation;
 - Is appropriately positioned and adequately resourced;
 - Demonstrates quality and continuous improvement;
 - Communicates effectively;
 - Provides risk-based assurance;
 - Is insightful, proactive, and future-focused; and
 - Promotes organisational improvement.

6. Code of Ethics

6.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for or providing a service to the Council must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body, then they must also comply with the relevant requirements of that body.

6.2 The Code of Ethics is based upon four principles relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct:

- Integrity;
- Objectivity;
- Confidentiality; and
- Competency

6.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All internal audit staff will:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and their profession;
- Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or the Council; and
- Respect and contribute to the legitimate and ethical objectives of the Council.

6.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All internal audit staff will:

- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Council;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.

6.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All internal audit staff will:

- Be prudent in the use and protection of information acquired in the course of their duties; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council.

6.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All internal audit staff will:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing; and
- Continually improve their proficiency, effectiveness and the quality of the service they deliver.

7. Principles of Public Life

7.1 Internal audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:

- **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends;
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties;
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
- **Openness:** Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands;
- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and

- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

8. Purpose, Authority and Responsibilities

8.1 Purpose

8.1.1 Internal Audit Service is a managerial control primarily responsible for objectively examining, evaluating and reporting upon the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit is one of a number of assurance providers that contribute to the Council's corporate assurance framework.

8.1.2 The purpose of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner to allow the Chief Internal Auditor to provide the Council with an opinion on the level of assurance it can place upon the risk management, internal control and governance environments, and to make recommendations for continuous improvement in these areas. This opinion will be set out in the Internal Audit Annual Report to the Audit and Standards Committee and supports the Council's Annual Governance Statement which accompanies the Annual Statement of Accounts.

8.1.3 To this end the Internal Audit Service is required to review, appraise and report upon:

- The soundness, adequacy and application of accounting, financial and other operational controls;
- The extent of compliance with established policies, plans and procedures, statute and regulations;
- The extent to which the Council's assets and interests are properly accounted for and safeguarded from losses of all kinds including fraud, bribery, corruption, other offences, waste, extravagance, inefficient administration, poor value for money or other cause;
- The suitability and reliability of financial and other operational information;
- The economy, efficiency and effectiveness with which resources are utilised;
- Whether operations are being carried out as planned and objectives and goals are being met; and
- The investigation of instances of fraud, bribery, corruption and irregularities.

8.1.4 Other objectives include:

- Supporting the Section 151 Officer (Chief Finance Officer) in discharging his statutory duties for ensuring proper administration of the Council's financial affairs;

- Championing good governance by helping to improve the Council's risk management, control and governance processes by providing management with timely advice and guidance;
- Supporting the Audit and Standards Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference set out in the Council's Constitution;
- Supporting Officers and Councillors in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies;
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available;
- Helping to promote a strong counter fraud culture across the Council, through the development and effective implementation of the Council's Counter Fraud and Corruption Strategy and Anti-Money Laundering policy;
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff; and
- Be future focused and to continually add value to the organisation.

8.2 Authority

- 8.2.1 The Internal Audit Service is an assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2015. Article 9 of the Council's Constitution outlines the role of the Audit and Standards Committee. Delegated responsibility to maintain an adequate and effective internal audit of the Council's accounting records and control systems rests with the Strategic Director, Resources and Digital as set out in the Council's Constitution (Delegations to Individual Managers, Article 13).
- 8.2.2 The scope of Internal Audit Service activity allows for unrestricted coverage of the Council's control environment, which includes all its operations, resources, services and responsibilities in relation to other bodies. The Chief Internal Auditor, in consultation with the Chair of the Audit and Standards Committee, the Strategic Director, Resources and Digital, other Strategic Directors and Service Directors will have the freedom to determine the priorities for Internal Audit Service activity.
- 8.2.3 The Chief Internal Auditor will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the Council's risk register and consultation with senior managers and the Council's External Auditor. This enables the Chief Internal Auditor to prepare a three-year risk-based plan, covering all areas of the Council and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit Service will be delivered and developed in accordance with this Charter and the Council's overall objectives.

8.2.4 Financial Regulations grant Internal Audit the authority to:

- Enter all Council premises and land at reasonable times;
- Access all records, documents, data and correspondence relating to all transactions of the Council, or unofficial funds operated by an employee as part of their duties;
- Receive all explanations as are necessary concerning any matter under examination; and
- Require any employee of the Council to produce cash, stores or any other property under their control belonging to the Council or held as part of the employee's duties.

8.2.5 Such rights of access extend beyond the Council to other bodies, including:

- Organisations to whom the Council has given grants;
- Organisations with whom the Council contracts; and
- Partner organisations in any schemes for which the Council has responsibility as the accountable body.

8.2.6 This will be affected by incorporating these audit requirements into appropriate agreements with external bodies. Where required assurances based on the work of the Internal Audit Service may be provided to such a respective body, this will take the form of a written assurance from the Chief Internal Auditor detailing the objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.

8.2.7 The main determinant of the effectiveness of the Internal Audit Service is that it is seen to be independent. To ensure this, the Internal Audit Service will operate in a framework that allows direct reporting to the Strategic Director, Resources and Digital and free and unfettered access to all senior management, the Chief Executive, Monitoring Officer and Councillors, including the Chair of the Audit and Standards Committee. The Chief Internal Auditor reports on an administrative basis to the Service Director, Commercialisation and Improvement.

8.2.8 For the purposes of compliance with PSIAS within the Council, the Audit and Standards Committee is designated as the "Board" and Strategic and Service Directors are designated as "Senior Management".

8.3 Responsibilities

8.3.1 The Internal Audit Service will perform all audit work in accordance with PSIAS and the prescribed local procedures as outlined within the Council's Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within

them. In addition to the Annual Internal Audit Report, the Chief Internal Auditor will report progress against the annual audit plan to the Audit and Standards Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Chief Internal Auditor's Quality Assurance and Improvement Programme which assesses compliance with PSIAS.

- 8.3.2 The Internal Audit Service will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.
- 8.3.3 The existence of the Internal Audit Service does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed date and each audit will be followed up to assess the extent to which this has happened.
- 8.3.4 Arrangements are in place with Strategic Directors and Service Directors to inform the Internal Audit Service of changes in Council systems and procedures on an ongoing basis.
- 8.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit Service employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the Service.
- 8.3.6 Internal auditors will not be allocated to assurance reviews in areas where they have had responsibility for, or have undertaken any significant advice and consultancy work, within the previous 12 months.
- 8.3.7 As the Chief Internal Auditor also has responsibility for corporate risk management, insurance and counter fraud, arrangements are made for any audit work to be carried out in these areas by a suitably experienced and qualified auditor. In these cases the Chief Internal Auditor will remove themselves from the review process of those audits and all findings and draft reports will be shared at their conclusion with both the Chief Internal Auditor and the Strategic Director, Resources and Digital in order to apply the necessary safeguards as set out in the PSIAS standard 1112 where the Chief Audit Executive has roles beyond Internal Auditing.

9 Resourcing of Internal Audit

- 9.1 The Chief Internal Auditor assesses resource requirements and draws up the Audit Plan by considering the following:
 - The Council's priorities;
 - The level of risk, taking into account such areas as materiality, complexity, potential for fraud and sensitivity;

- Consultation with senior managers and the External Auditor;
 - Changes in legislation;
 - The scope of planned external audit work; and
 - The implications of external inspection reports.
- 9.2 The staffing structure of the Internal Audit Service comprises of professional accountant, auditor accounting technician and trainee posts with a mix of specialisms to reflect the varied workload of the Service. Where the Chief Internal Auditor considers there to be insufficient resources to deliver an effective audit plan this will be drawn to the attention of the Strategic Director, Resources and Digital and the Chair of the Audit and Standards Committee immediately.
- 9.3 As far as practical, the Internal Audit Service will not participate in the day-to-day operation of any systems of internal control. Where this is unavoidable then the auditor in question will not perform audit work in the same area for a minimum of 12 months thereafter. Any conflicts of interest relating to a respective area must be notified in advance to the Chief Internal Auditor. The Chief Internal Auditor maintains a record of all declared interests from Internal Audit staff and regular training sessions will be carried out to remind staff of the Code of Ethics. If any impairment to objectivity or independence does occur, then these will be disclosed to appropriate parties depending on the nature of the impairment; with significant breaches being reported to the Audit and Standards Committee.
- 9.4 Employees within the Internal Audit Service will be expected to contribute to the general management and conduct of the Council's business through membership of working groups and participation in ad hoc exercises.
- 9.5 At the request of the Strategic Director, Resources and Digital, appropriate specialists from other Services should be made available to participate in any audit or review requiring specialist knowledge.
- 9.6 The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training delivered through both internal and external courses.
- 9.7 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network, the Institute of Internal Auditors and through regular liaison with external audit.
- 9.8 The Service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.

9.9 In this regard the Service considers trends and emerging issues that could impact on the organisation.

10 **Scope of Audit Work**

10.1 Internal Audit's role applies to all functions and services for which the Council is responsible, including those delivered by partners where appropriate.

10.2 In addition to the regular review of all key systems of internal control which forms the majority of assurance work, Internal Audit will:

- Respond to requests for support, advice and guidance on implementing and / or improving best practice control procedures for current and new systems;
- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes;
- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of the work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over Internal Audit's independence and objectivity. Consultancy work will be assessed by the Chief Internal Auditor for its impact on the internal control environment and the potential added value in terms of the Council achieving its legitimate and ethical objectives. Any significant advice and consultancy work that may be considered to impact on the independence of the Internal Audit Service will be reported to the Audit and Standards Committee for approval;
- Be alert in all its work to risks and exposure that could allow fraud and corruption to occur and to any indications that a fraudulent or corrupt practice may be occurring;
- Review controls where a potential fraud has been detected / reported to provide assurance that the alleged fraudulent activity is unable to continue and to prevent a reoccurrence; and
- Determine the most appropriate course of action by which fraud and irregularities should be investigated in accordance with the Council's Counter Fraud and Corruption Policy.

10.3 It must be noted that whilst Internal Audit will promote the Council's Counter Fraud Policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. Internal Audit cannot guarantee that fraud or corruption will be detected

in its work. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected. Managing the risk of fraud and corruption is the responsibility of all service managers.

- 10.4 The Chief Internal Auditor has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and the Council's Financial Regulations, Fraud and Corruption Policy and Statement on the Prevention of Bribery require him to be notified of all suspected or detected fraud, corruption or impropriety. The Chief Internal Auditor will assess the potential impact of such cases on the internal control environment.

Date of next Review - April 2024.

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The Internal Audit Strategy Statement & Annual Plan 2023/24

Craig Oakes
Chief Internal Auditor
Internal Audit & Risk Service
Resources and Digital

Introduction

1. The Internal Audit & Risk Service for Gateshead Council plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2023/24 has been formulated from a review of the major risks that the Council faces. The plan therefore focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed. The Service's objective is to promote and champion sound governance and effective and efficient internal controls throughout the Council and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Council's priorities – Thrive Policy and Health and Wellbeing Strategy.
2. The Council's internal audit function is provided by the Internal Audit & Risk Service, which is based within the Commercialisation and Improvement Service, within Resources and Digital.

Purpose

3. This document sets out Internal Audit's Strategy and Annual Audit Plan for Gateshead Council for the financial year 2023/24.
4. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
 - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that require the Chief Internal Auditor to produce a risk based annual plan taking into account the need to give an independent annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
 - Ensure effective audit coverage and provide a mechanism to deliver independent and objective assurance in particular to the Audit and Standards Committee and Senior Managers;
 - Identify the key risks facing the Council that could prevent it from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls;
 - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money; and
 - Support the Strategic Directors of Resources & Digital and Corporate Services & Governance in fulfilling their obligations as the Council's Section 151 and Monitoring Officers, respectively.

Key Outputs Statement

5. The Internal Audit & Risk Service will deliver key responsibilities as follows:
 - To provide ongoing assurance to management on the Council's control environment comprising systems of governance, risk management and internal control;
 - To support the Council's values and expected standards of behaviour;
 - To be responsive to transformational change and service demands;

- To work together with the Council’s external auditors to ensure reliance can always be placed on audit work where appropriate;
- To continue to develop joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across the Council;
- To ensure agreed management actions to audit recommendations made are fully implemented;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2015;
- To continue to develop and lead on the Council’s corporate governance arrangements including the review and production of the Annual Governance Statement; and
- To provide an effective corporate counter fraud and corruption service and response in accordance with the Council’s Counter Fraud and Corruption Arrangements and the Local Government Fraud Strategy - “Fighting Fraud and Corruption Locally”.

Key Characteristics of the Annual Plan

6. Having regard to the current risk profile of the Council, the following main areas have been included in the Annual Plan for 2023/24:
 - The 2023/24 plan includes adequate flexibility to address emerging risks as well as provide assurance in high risk, key financial, IT and governance functions;
 - The scale and pace of change of the financial challenge continues to have a significant impact on the Council. Changes have taken place in the Council’s structure with ongoing activity to identify and deliver savings across all areas of Council services. The implementation of changes and public service reform, with a reduced workforce and reduced funding whilst delivering business as usual and achieving priorities, remains a key challenge and risk for the Council during 2023/24 and beyond;
 - Internal Audit cannot manage risks directly; however, it can play an important role by developing a flexible audit approach and a dynamic plan to address emerging risks as well as those risks yet to be identified;
 - Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The reduction in the workforce for example provides a potential for breakdown in controls as well as an opportunity to consider alternative more efficient ways of organising people, systems and processes without impacting negatively on the control environment. To reflect this, the proposed plan includes time for advice and consultancy to support officers and challenge them in the establishment and development of their systems of governance, risk management and internal control. An important distinction is that Internal Audit’s work will be challenging and advisory, rather than the design of controls which are a management responsibility;
 - The plan includes time to reflect the work the Corporate Counter Fraud Team will be doing in relation to further developing and embedding the Council’s counter fraud

arrangements and also work to complete proactive counter fraud reviews aimed at detecting and preventing fraud in high risk areas; and

- The challenge is to ensure that there is a balance between responding to these risks and ensuring that there is sufficient coverage of key systems. The Audit Plan must balance the need to:
 - a. Provide assurance on the effectiveness of internal controls operating within the Council;
 - b. Adequately review the assurance provided by key financial systems for management and the external auditor to place reliance on;
 - c. Allow for the Internal Audit Service to offer advice and guidance on control and efficiency issues;
 - d. Investigate suspected or detected frauds or irregularities; and
 - e. Provide time to allow the Internal Audit Service to carry out unplanned or consultancy work requested by Service Directors.
- 7. The continued pace of change across the Council requires assurance that is prioritised and timely and the plan must provide for this assurance to enable remedial action or controls to be implemented in a timely manner. Based on experience and feedback from Service Directors, there is a need for shorter, more focused and practical audits in areas of emerging risk. Close liaison with Business Partners who regularly attend Group Management Team meetings will facilitate a continuous review process to ensure the plan remains relevant.

2023/24 Annual Planning Process

- 8. The approach to audit planning in the Council for 2023/24 has been based on the following:
 - The Council's priorities;
 - The ongoing impacts of COVID19 and austerity on the control environment, finances and delivery of Council priorities;
 - The risks documented in the Council's strategic and operational risk registers;
 - Consultation with Service Directors and the external auditors;
 - Changes in legislation;
 - The scope of planned external audit work;
 - The implications of external inspection reports;
 - Findings and outcomes from audit and investigation work in 2022/23 and earlier years;
 - Consultation with colleagues across the region; and
 - Time elapsed since the previous audit.
- 9. Once this information has been analysed, the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, complexity, potential for fraud and sensitivity. Based on a score derived from these assessments, audits are then categorised as high, medium or low priority which dictates when they will be audited within a 3-year cycle. High priority areas are audited on an annual basis. On completion of each audit, the risk profile is revisited to ensure it remains up to date.

10. The audit plan for 2023/24 is based on resources of 13.4 full time equivalent (FTE) employees (13.22 FTE's for 2022/23). Auditor's time has been allocated on the basis of an estimate of 70% productive hours after allowing for non-productive time including annual leave, sickness absence and training.
11. On this basis, the plan for 2023/24 has been broken down into 21,801 productive hours (21,658 originally planned productive hours for 2022/23) as shown below in paragraph 14.

Plan Structure

12. Based on the above, the Chief Internal Auditor considers that assurance is best obtained through a combination of different "types" of audits. This is not an uncommon approach and reflects a changing emphasis for the approach to the plan tailored to the specific needs of the Council during a period of significant change.
13. There are five different types of audit activity in the plan:
 - **Assurance review** – to provide assurance that systems and controls are operating as intended and defined by risk profiles of each audit area. The risk-based approach also takes into consideration the views of Strategic and Service Directors;
 - **Advice and Consultancy** – early involvement of Internal Audit in new initiatives, ways of working or systems, particularly through periods of significant change, can help to maintain a robust control environment;
 - **Key systems** – assurance on core financial systems that are considered high risk requiring regular assurance. This work is important in providing annual assurance to the Council;
 - **Grant Certification** – assurance on grant returns and compliance with grant determinations; and
 - **Counter Fraud**– proactive and reactive audit work on counter fraud and irregularity issues.
14. A balanced approach of using different types of audit and other work is considered the most effective way to deliver the Internal Audit Strategy.

Plan Content

15. Following the planning process outlined above and the principles of the PSIAS, a draft plan has been developed. As outlined, the plan needs to remain flexible and will be subject to continuous review in consultation with Strategic and Service Directors and the Audit and Standards Committee. A summary of the draft plan is shown below with further detail in Appendix C.

Groups and Services	Audit Hours
Children's Social Care and Life Long Learning	1,316
Corporate Services and Governance	891
Economy, Innovation and Growth	582
Integrated Adults and Social Care Services	1,378
Housing, Environment & Healthy Communities	2,801
Resources and Digital	3,624
Public Health & Wellbeing	540
Office of the Chief Executive	285
Schools	1,627
Corporate	
Counter Fraud	3,967
Grant Certification	665
Audit Planning and Management	1,560
External Bodies	
Trading Companies	102
Northumbria Police	2,463
Total Productive	21,801
Non-productive	9,449
Total Hours	31,250

Audit Type	Audit Hours
Advice and Consultancy	745
Assurance Review	12,321
Grant Certification	645
Audit Planning and Management	1,560
Counter Fraud	3,967
Non-productive	9,449
Total Council Plan	28,687
External Bodies	
Trading Companies	100
Northumbria Police	2,463
Total Hours	31,250

16. Audit Planning and Management covers other audit activities including involvement in corporate initiatives, preparation of audit committee reports, audit planning, preparation of the Annual Governance Statement, liaison with the external auditors and development and support for new financial and internal audit management systems.

How the service will be provided

17. Internal audit provision is delivered by the in-house team supplemented by a joint working arrangement with Newcastle City Council for IT auditing. This arrangement will be kept under review on an annual basis.

18. In order to deliver the Annual Audit Plan at the required quality and professionalism, the team undertaking internal audit activity have the required mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants, qualified Association of Accounting Technicians or equivalent, Accredited Counter Fraud Specialists or studying for professional qualifications.
19. Professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:
 - The complexity of the areas to be reviewed;
 - Factors such as number of locations, number and frequency of transactions; and
 - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
20. Staff development needs are continually assessed to ensure that the optimal level and mix of skills required to deliver a highly professional and added value internal audit function is maintained.

Performance Management

21. The standards for 'proper practice' in relation to internal audit are laid down in the PSIAS and compliance with these professional standards will be ensured through a combination of internal and external reviews of compliance and quality. The outcome of the most recent external assessment against PSIAS was reported to the Audit and Standards Committee on 27 April 2020. A number of minor of actions were identified and progress in addressing these will be continuously reviewed. Further examples include:
 - Internal self-assessments by the Chief Internal Auditor; and
 - Customer satisfaction questionnaires.
22. To achieve the planned coverage for 2023/24, deliver a high standard of customer care and demonstrate effectiveness of the service, the internal audit function has well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis:

Performance Indicator	Target
Productive (Chargeable) time as a % of overall time	70%
Actual hours against planned hours achieved in year	97.25%
Number of audit recommendations implemented:	
High	100%
Medium and Best Practice	90%
Audits completed within agreed time (budgeted hours)	90%
Customer satisfaction: Average score (maximum 4)	3.4 (85%)

Children's Social Care and Life Long Learning			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	75
	Total Advice and Consultancy		75
	Children's Care Provision	High	170
	Safeguarding Children	High	100
	Children's Care Homes	High	100
	Special Educational Needs - Early Help & Specialist Family Support Services	High	100
	Learning Skills	High	130
	Children's Mozaic Implementation	New	40
	Service Governance, Planning and Assurance - Children's Social Care	New	50
	S17 Payments	New	50
	Service Governance, Planning and Assurance - Education, Schools and Inclusion	New	50
	Fostering and Out of Authority Provision	Medium	80
	Family Hub DFE grant	Medium	40
	Care Leavers	Medium	70
	Early Years Childcare Service	Medium	100
	Audit Follow Up Contingency	N/A	75
	Audits brought forward from 2022/23		86
	Total Assurance Review		1,241
Total Audit Hours			1,316

Schools			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	70
	Total Advice and Consultancy		70
Assurance Review	School Audits	High	1,353
	Audit Follow Up Contingency	N/A	150
	Audits brought forward from 2022/23		54
	Total Assurance Review		1,557
Total Audit Hours			1,627

Integrated Adults and Social Care Services			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	50
	Total Advice and Consultancy		50
Assurance Review	Commissioning Adult Services	High	100
	Commissioning of Children's Services	High	100
	Adult Care Provision	High	140
	Care Call	High	80
	Promoting Independence Centres	High	70
	Safeguarding - Adult Services	High	75
	CCG Recharges	High	60
	Service Governance, Planning and Assurance - Commissioning & Quality Assurance (Gateshead System)	New	50
	Activity Based Care Service	New	100
	Domiciliary Care Services	New	80
	Adults Mozaic Implementation	New	40
	Great North Care Record	New	50
	Carers Service	Medium	75
	Pooled Budgets and the Better Care Fund	Medium	80
	Audit Follow Up Contingency	N/A	75
Audits brought forward from 2022/23		153	
	Total Assurance Review		1,328
Total Audit Hours			1,378

Public Health & Wellbeing			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	30
	Total Advice and Consultancy		30
Assurance Review	Public Health Contract Monitoring	High	80
	Primary Care	High	100
	Leisure Centres	High	90
	Artwork and Sculptures	New	60
	Service Governance, Planning and Assurance - Public Health	New	50
	Leisure Contracts and Leases	New	60
	St Mary's Heritage Centre	Low	50
	Audit Follow Up Contingency	N/A	20
	Audits brought forward from 2022/23		0
	Total Assurance Review		510
Total Audit Hours			540

Corporate Services and Governance			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	50
	Total Advice and Consultancy		50
Assurance Review	Mayor's Charity Fund	Annual	15
	Corporate Procurement	High	100
	Information Governance and Data Protection	High	80
	Service Governance, Planning and Assurance - Corporate Commissioning and Procurement	New	50
	Service Governance, Planning and Assurance - Public Service Reform	New	50
	Service Governance, Planning and Assurance - Human Resources & Workforce Development	New	50
	Health and Safety	Medium	60
	Recruitment and Appointment Process	Medium	50
	Sickness Monitoring	Medium	50
	Transparency Agenda	Low	50
	Complaints	Low	60
	Audit Follow Up Contingency	N/A	30
	Audits brought forward from 2022/23		196
		Total Assurance Review	
Total Audit Hours			891

Economy, Innovation and Growth			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	50
	Total Advice and Consultancy		50
Assurance Review	Commercial Contracts	Annual	80
	Service Governance, Planning and Assurance - Planning Policy, Climate Change and Strategic Transport	New	50
	Energy	New	50
	Housing Joint Venture	Medium	50
	Major Projects	Medium	100
	Transport Strategy	Medium	75
	Audit Follow Up Contingency	N/A	30
	Audits brought forward from 2022/23		97
	Total Assurance Review		532
Total Audit Hours			582

Housing, Environment & Healthy Communities			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	90
	Total Advice and Consultancy		90
Assurance Review	Waste Management Partnership	High	100
	Housing Health and Safety	High	100
	Repairs and Maintenance	High	80
	Housing Procurement	High	100
	Stores	High	80
	Gas Servicing	High	80
	Rent Arrears and Rent Collection	High	135
	Property Management	High	80
	Compliance (Non Domestic)	High	100
	Housing Growth and Development	New	50
	Service Governance, Planning and Assurance - Neighbourhood, Housing and Homelessness Services	New	50
	Tree Strategy, Management and Maintenance	New	50
	Building Services	New	50
	Facilities Management	Medium	50
	Tenancy Allocation and Lettings	Medium	110
	Sheltered Accommodation	Medium	50
	Transport	Medium	80
	Building Cleaning	Medium	50
	Northgate	Low	60
	Housing Communications	Low	50
	Customer Focus	Low	50
	Housing Management	Low	40
	Employee Volunteering	Low	60
	Gateshead Thrive Fund	Low	75
	Vehicle Trackers	Low	60
	Bereavement Services	Low	60
	TGHC Leaseholder Service Charges	Low	50
	Right To Buy Scheme	Low	75
Audit Follow Up Contingency	N/A	100	
Audits brought forward from 2022/23			636
	Total Assurance Review		2,711
Total Audit Hours			2,801

Resources and Digital			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	300
	Total Advice and Consultancy		300
Assurance Review	Debtors Write Off	Annual	60
	Corporate Creditors	High	120
	Service Debtors	High	80
	Treasury Management	High	80
	Service Creditors	High	75
	Capital Accounting System and Programme	High	100
	Main Accounting System	High	70
	Housing Revenue Account (HRA)	High	70
	Annual Governance Statement Assurances	High	50
	VAT Arrangements	High	45
	Corporate Debtors and Income	High	120
	Corporate Payroll and Human Resources Support	High	120
	Counter Fraud Arrangements	High	40
	Performance Indicators and Data Quality	High	60
	Business Rates	High	75
	Council Tax	High	75
	Local Council Tax Support Scheme and Housing Benefits	High	180
	Ways of Working	High	75
	IT Security	High	90
	IT Asset and Device Management	High	90
	Service Governance, Planning and Assurance - Commercialisation and Improvement	New	50
	Schools PFI	New	70
	Service Governance, Planning and Assurance - Customer Experience & Digital	New	50
	Service Governance, Planning and Assurance - IT	New	50
	Leasing	Medium	80
	Disclosure and Barring Service Checks	Medium	90
	BACS	Medium	40
	Fees and Charges	Medium	45
	Employee Administration	Medium	80
	Adults Direct Payments	Medium	60
Digital and Customer Services	Medium	70	
IT Programme and Project Management	Medium	90	
IT Configuration Management	Medium	90	
IT Patch Management	Medium	90	

	Petty Cash	Low	50
	Events	Low	50
	Budgetary Control	High	40
	Audit Follow Up Contingency	N/A	100
	Audits brought forward from 2022/23		454
	Total Assurance Review		3,324
Total Audit Hours			3,624

Office of The Chief Executive			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	30
	Total Advice and Consultancy		30
Assurance Review	Partnership Arrangements	High	70
	Service Governance, Planning and Assurance - Office of the Chief Executive	New	50
	Locality Working and Hubs	Medium	70
	Audit Follow Up Contingency	N/A	20
	Audits brought forward from 2022/23		45
	Total Assurance Review		255
Total Audit Hours			285

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Title of Report: Corporate Risk Management 2022/23 - Quarter 4 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 January 2023 to 31 March 2023.

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 fourth quarter 2022/23. Activity has recently commenced to research North East regional councils around strategic risk and the approaches taken to link with corporate priorities to inform a review of our own Strategic Risk Register..
6. 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, with the next review planned for action by services during April and May 2023. 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 spring and summer months.
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 18 April 2023. The following items were considered:
 - Business Impact Assessment and Business Continuity Plan seasonal refresh.
 - Cyber security.
 - Resilience and emergency planning including an update on a national planned power outages and participation event held 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

Impact	Extreme (7)				
	High (4)	• (SR3)	• (SR1) • (SR9)		
	Medium (3)		• (SR2) • (SR4) • (SR5) • (SR10)	• (SR8)	
	Low (2)		• (SR6) • (SR7)		
		Unlikely (2)	Moderate (3)	Likely (4)	Almost Certain (5)
Likelihood					

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

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

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