



AUDIT AND STANDARDS COMMITTEE AGENDA

Tuesday, 30 January 2024 at 4.00 pm in the Blaydon Room

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 30 th October 2023.
3	Declarations of Interest Members of the Committee are invited to declare interests in any agenda items.
4	Corporate Risk Management 2023/24 - Quarter 3 Update (Pages 9 - 12) Report of the Strategic Director, Resources and Digital
5	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 [insert] of Schedule 12A to the Local Government Act 1972.
6	Internal Audit Plan 2023/24 Quarterly Monitoring Report to 31 December 2023 (Pages 13 - 22) Report of the Strategic Director, Resources and Digital
7	Date and time of next meeting Thursday 7 th March 2024 at 10am in the Blaydon Room

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Public Document Pack Agenda Item 2

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 30 October 2023

PRESENT: Councillor R Mullen (as chair)
Councillor(s): R Beadle, L Green, H Kelly and
J McElroy
Mr I Dormer (Independent Member)

APOLOGIES: Councillor(s): L Kirton and C Ord

ASC471 MINUTES

The minutes were approved as a correct record.

ASC472 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC473 CORPORATE RISK MANAGEMENT 2023/24 QUARTER 2 UPDATE

The committee received a report to provide an update on Corporate Risk Management during the period 1 July 2023 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 reviewed bi-annually during the pandemic period from March 2020 with the most recent review in May 2023.

This was to continue to identify threats to critical activities and potential increase demand on Council Services as we moved between the spring and summer months and those of autumn and winter. 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 on 10 October 2023 and the following items were considered:

- Review of Business Impact Assessment and Business Continuity Plan season refresh.
- Update on Cyber Incident Awareness event presented to the Corporate Leadership Team.
- Service resilience in the event of a loss of IT services for an extended period with the delivery of an exercise in a box session with the members of the Risk and Resilience Group and invited key officers on 16 October 2023. This aimed to generate discussion on the issues Services might be faced with the development of potential mitigations to minimise any impact on service provision.
- Updates from Groups and Services.

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

ASC474 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2023

The Committee received a report to inform of the review of the Treasury Management performance for the six months to 30 September 2023, covering investments and borrowing. This is consistent with approved performance management arrangements.

The mid-year performance of the Treasury Management Service is reported to be 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 2023.

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 2023. There are no policy changes to the TMSS.

It was noted that the Council will continue to monitor the market to identify any opportunity to repay borrowing earlier than planned, subject to any discounts.

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

ASC475 ACHIEVEMENT OF GOING CONCERN STATUS 2022-23

The Committee were presented with a report which asks the Committee to consider the Council's status as a going concern and to agree bases 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 2022/23 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.

ASC476 AUDIT COMPLETION REPORT YEAR END 31 MARCH 2023

The Committee received a report to provide an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2022/23 by the Councils 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 – At the time of issuing the report, and subject to 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 pensions.
- Identified misstatements – the auditor’s work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report.
- Value for Money – at the time of issuing the report, Mazars anticipate having no significant weaknesses in arrangements 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 Accounts (WGA) – the timetable for the Council’s submission for 2022/23 has been published. Audit work will commence once the return is complete.
- 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 or objections have been received.

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

ASC477 EXCLUSION OF THE PRESS AND PUBLIC

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.

ASC478 COUNTER FRAUD UPDATE

The Committee received an update report on activity undertaken since 1 April 2023 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 on 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.

ASC479 INTERNAL AUDIT PLAN PROGRESS 2023/24 QUARTERLY MONITORING REPORT TO SEPTEMBER 2023

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 2023 to 30 September 2023.

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 45% 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 ten cases were operating well, ten satisfactory and no significant weakness.

From the reviews carried out to 30 Sept 2023 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.

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

ASC480 DATE AND TIME OF NEXT MEETING

The next meeting will take place on 30 January 2024 at 4.00pm.

Chair.....

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Title of Report: Corporate Risk Management 2023/24 – 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 2023 to 31 December 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.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2023/24, as cited in the Corporate Risk Management Annual Report 2022/23, 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 2023/24. The current Strategic Risk Register is attached for information at 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.
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.

8. To further strengthen mitigation of the risks of a successful cyber-attack, several IT related policies have been drafted by the Cyber Security Group.
9. During the quarter the Corporate Risk Officer and colleagues from IT Services have developed and implemented a series of improvements to the risk management system. The improvements will aid risk owners and risk coordinators with their ongoing operational risk reviews and additional functionality within the system will enable record keeping by Services that is consistent with the latest corporate data retention guidance.

Business Continuity Management

10. 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.
11. All Business Impact Assessments have been reviewed bi-annually since the start of the Pandemic in March 2020, with the most recent reviews requested in November 2023, with the next review planned for action by Services during May 2024. 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 move between the spring and summer months and those of autumn and winter.
12. Business Continuity Plans are revised accordingly to mitigate and, as far as possible, update key personnel and 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.
13. 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

14. The Corporate Risk and Resilience Group last met 16 January 2024. The following items were considered:
 - Review of recent Business Impact Assessment and Business Continuity Plan seasonal refresh.
 - Updates from Groups and Services.

Recommendation

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

Appendix 1

SR Ref	Risk	Risk owner	Gross Risk Rating Pre-mitigation	Current risk post mitigation		
				Likelihood	Impact	Risk Rating
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	Red 16	Moderate 3	High 4	Amber 12
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT	Red 16	Moderate 3	Medium 3	Amber 9
3	Failure to safeguard vulnerable children and adults	CMT	Red 16	Unlikely 2	High 4	Amber 8
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT	Red 16	Moderate 3	Low 2	Green 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	Amber 8	Moderate 3	Low 2	Green 6
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT	Red 16	Likely 4	Medium 3	Amber 12
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT	Red 16	Moderate 3	High 4	Amber 12
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance	Red 20	Moderate 3	Medium 3	Amber 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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