

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 18 June 2018

PRESENT: Councillor H Haran (Chair)
Councillor(s): L Green, J McElroy, J Turnbull, N Weatherley,
Mr Stuart Bell (Independent Member) and G Clark

APOLOGIES: Councillor(s): J Green, J McClurey and B Jones

ASC 127 MINUTES

The minutes of the previous meeting, held on 14 May 2018 were approved as a correct record.

ASC 128 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC 129 CONSTITUTION

The Constitution of the Committee, including the appointment of the Chair and Vice Chair and Independent Members for municipal year 2018/2019 was noted.

ASC 130 GDRP UPDATE

The Council's Litigation and Information Rights Officer provided the Committee with an update on the recent General Data Protection Regulation (GDPR) which came into effect on 25 May 2018.

The Committee requested that the information be circulated electronically after the meeting.

RESOLVED - That the information be noted.

ASC 131 ROLE AND REMIT

The Committee received a report outlining the role and remit of the Audit and Standards Committee.

The Committee were also advised that CIPFA have provided some guidance on the

function and operation of audit committees. Officers will consider the implications of the guidance and will report back to the Committee in due course.

RESOLVED - That the information be noted.

ASC 132 **AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2018-19**

The Committee received a report outlining the work programme for municipal year 2018/19. It was noted that from the July meeting a quarterly report will be presented to the Committee giving updates on standards issues.

RESOLVED - that the information be noted.

ASC 133 **GRANT OF DISPENSATIONS**

The Committee has previously granted dispensations to all councillors:

- Who are appointed by the Council as members of a Board (or any other governing committee) of an outside body, from the need to leave a meeting, and desist from voting, when that meeting is considering business relation to the outside body; except when the business concerns a contract or agreement, with financial implications, directly between the Council and the outside body; or the giving of monetary grants to or from the outside body. In this context 'meeting' means a meeting of Cabinet, Council, Overview and Scrutiny Committees or the Health and Wellbeing Board, but to no other committee meetings of the council. The interest will still need to be declared to the meeting.
- To enable them to participate fully in Cabinet and Council meetings (and any related pre-meetings or discussions) when considering reports dealing with:
 - the budget, including council tax precepts;
 - fees and charges
 - capital and revenue monitoring; and
 - the medium term financial plan

The above dispensations were approved for a period of four years and are due for renewal.

- RESOLVED
- i) That the information be noted.
 - ii) That the dispensations be extended for a four year period to 17 June 2022, to allow all Councillors to participate in making decisions in the best interests of the people of Gateshead.

ASC 134 **TREASURY ANNUAL REPORT 2017/18**

The Committee received a report to review the proposed Treasury Annual Report

prior to consideration by Cabinet.

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

The Treasury Annual Report has been prepared taking into account the Local Government Act 2003, Ministry of Housing, Communities and Local Government's (MHCLG) Guidance on Local Government Investments, CIPFA's Prudential Code for Capital Finance and CIPFA's Code of Practice on Treasury Management. The document is also consistent with the Council's approved Treasury Management Policy and Strategy, which require an annual report to be presented to Council prior to the end of September each year.

- RESOLVED -
- i) That the information be noted
 - ii) That the Treasury Annual Report 2017/18 be approved for submission to Cabinet on 19 June 2018 for consideration

ASC 135 MAZARS AUDIT PROGRESS REPORT JUNE 2018

The Committee received a verbal update from Mazars providing an audit progress report as at June 2018.

- RESOLVED -
- i) That the information be noted
 - ii) That further updates will be provided to Committee in due course.

ASC 136 OVERSIGHT OF MANAGEMENT PROCESSES 2017/18

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

The external auditor is required by auditing standards to develop a good understanding of the Council's management processes. This is a requirement as part of their work in respect of auditing the Council's financial statements and value for money consideration.

The areas of governance under consideration, together with an explanation of how oversight is exercised by the Committee, have been presented.

- RESOLVED -
- i) That the information be noted
 - ii) That the Committee agreed that an effective level of oversight is in place.

**ASC
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MEMBERS' ASSURANCE STATEMENTS 2017/18

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

The Council adopted a Local Code of Governance in 2007, which sets out how it complies with best practice in relation to its governance arrangements. This code was redrafted and agreed by the Committee on 29 January 2018 to ensure compliance with and to get best value from the revised approach to local governance issued by CIPFA/SOLACE, Delivering Good Governance in Local Government Framework.

The seven 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; and
- Implementing good practices in transparency

The Committee were advised that the Council's governance framework is consistent with these principles which ensure they are fully integrated in the conduct of the Council's business.

Assurances were sought from Councillors who served in the Cabinet during 2017/18, in the form of a self assessment statement were completed and all Cabinet Members considered that governance arrangements are effective.

The Committee requested that the information Cabinet were asked to consider were circulated to the members of the Committee for information.

- RESOLVED -
- i) That the information be noted
 - ii) That the Cabinet Assurance Template 2017/2018 be circulated to members of the Audit and Standards Committee for information.
 - iii) That the Committee endorsed the opinion that the Council's governance arrangements are effective.

**ASC
138**

MANAGERS' ASSURANCE STATEMENTS 2017/18

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

The Committee agreed on 5 March 2018 an assurance framework to provide

evidence for the completion of the Annual Governance Statement.

The Committee were advised that if managers felt that they did not have sufficient evidence to agree with a statement they were required to identify actions for improvement which would strengthen systems in place to an effective level.

Based on the evidence arising from the self-assessments for 2017/18, managers agreed that necessary controls were in place in key processes to allow them to achieve their service objectives and therefore the objectives of the Council.

All assessments issued have been returned detailing satisfactory evidence. A summary of returns was presented showing each process being assessed. The most common areas of improvement identified by managers were in relation to business planning and data quality and performance management.

An audit of managers' assurances for 2016/17 has been progressed during the year and an update was reported to Committee on 2 October 2017 as part of the Internal Audit quarterly monitoring report. The overall conclusion of this work was that the systems and processes for the completion of the Managers' Assurance Statements were operating well and that they provided a good level of assurance for the 2016/17 Annual Governance Statement

Internal Audit has time in the 2018/19 audit plan to review the evidence and actions identified by manager on their assurance statements for 2017/18, including any actions managers have identified to enhance controls.

RESOLVED – That the assurances provided by senior managers be noted.

ASC 139 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2017/18

The Committee received a report which asked the Committee to review the effectiveness of internal audit within the Council for 2017/18.

The review has been undertaken by the Council's Internal Control Group, which includes the Strategic Directors of Corporate Resources and Corporate Services and Governance. This review is based upon the following:

- Self-assessment against Public Sector Internal Audit Standards (PSIAS).
- Self-assessment against the CIPFA Statement on the Role of the Head of Internal Audit
- Reliance placed upon Internal Audit by the Council's external auditor
- Assessment of the effectiveness of the Audit and Standards Committee
- Relevant performance information

The Committee were advised that the PSIAS require an external assessment of internal audit functions to be completed every five years. The Internal Audit Service

was assessed by the external Auditors, Mazars, during 2014/15. The outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with the standards in all significant aspects and that there are no areas of concern.

The Committee were advised that the self-assessment requires an evaluation of how the five principles of the statement are embedded within the Council and the Chief Internal Auditor's skills and personal experience. The Committee were advised that the self-assessment found arrangements to be compliant with the statement.

The Committee were informed that a joint working protocol is in place between Internal Audit and the Council's external auditor, Mazars. Wherever possible the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities. During 2017/18 Mazars did not place specific reliance on any of Internal Audit's work but through regular monthly meetings work has been co-ordinated wherever possible and intelligence shared.

The Committee were advised that CIPFA's guidance 'Audit Committees – Practical Guidance for Local Authorities (2013)' includes a checklist for measuring the effectiveness of the Council's Audit and Standards Committee. This assesses in more detail some of the areas examined in the assessment against PSIAS.

A review, based on this guidance, was carried out by the Council's Internal Control Group on 15 May 2018. This covered the following areas:

- Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

The Committee were pleased to note that the review found the Audit and Standards Committee to be operating effectively with some minor areas for action.

The Committee were also informed that performance monitoring of the work carried out by the Internal Audit Service provides further assurance that the system of Internal Audit is operating effectively and adding value to the Council as a whole. During 2017/18 the following key performance indicators are relevant:

- 94% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 70% of overall time against an annual target of 73% of overall time. This is mainly due to additional training provided to the new auditors.
- The average score of the customer satisfaction questionnaires returned is 3.92 (98%) against a target of 3.4 (85%).
- The target for implementation of audit recommendations is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendations is 100%, with 100% of all medium priority and 100% of all high priority recommendations having been implemented.

As previously reported to the Audit and Standards Committee on 2 October 2017, benchmarking continues to highlight the Internal Audit Service as being low cost with high productivity in comparison with other local authorities. The net cost per chargeable day for Gateshead Council was £256 compared to an average of £317, with 162 chargeable days compared to an average of 173 days demonstrating that the Council is receiving value for money from its Internal Audit Service.

- RESOLVED -
- i) That the information be noted
 - ii) That the opinion that the Council's system of Internal Audit is operating effectively be endorsed.

ASC 140 CORPORATE RISK MANAGEMENT - ANNUAL REPORT 2017/18

The Committee considered the Corporate Risk Management Report for 2017/18 as the basis for assessing the effectiveness of risk management arrangements. The report also outlined the prevailing arrangements that exist within the Council for managing risk, the impact that these have had on the Council's operations and also the plans for further development of risk management arrangements.

- RESOLVED -
- i) That the information be noted.
 - ii) The Committee agreed that the Council has effective risk management arrangements in place.

ASC 141 EXCLUSION OF THE PRESS AND PUBLIC

- RESOLVED - That the press and public be excluded from the meeting during the consideration of the remaining business in accordance with Paragraph 3 of Schedule 12A to the Local Government Act 1972.

ASC 142 INTERNAL AUDIT ANNUAL REPORT 2017/18

The Committee received a report informing them about the work undertaken by the Internal Audit and Risk Services during 2017/18, and provided the Committee with an overall assessment of the adequacy of the Council's internal control systems and governance arrangements to inform the Annual Governance Statement and to provide a summary of the main audit findings.

The audit plan for 2017/18 set out to meet the requirements of the UK Public Sector Internal Audit Standards (PSIAS) in providing a risk-based focus for the deployment

of internal audit resources.

The audit plan also 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.

The Committee were advised that based on evidence arising from the planned internal audit activity during 2017/18, the Council's internal control systems and governance arrangements are considered to be effective.

RESOLVED - i) That the information be noted

ASC 143 RE-ADMITTANCE OF THE PRESS AND PUBLIC

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

ASC 144 ANNUAL GOVERNANCE STATEMENT 2017/18

The Committee received a report and were asked to review the evidence of assurances provided on the Council's internal controls, risk management and governance arrangements, and approved the Annual Governance Statement 2017/18 which was appended to the main report.

The Accounts and Audit Regulations 2015 require Councils to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness. This accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.

The Audit and Standards Committee agreed on 5 March 2018 for the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances were required on the following areas:

- Governance arrangements
- Councillors
- Strategic and Service Directors
- The system of internal control
- Risk management 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

Based on the review of the Council's governance arrangements during 2017/18, including the internal control and risk management environments, the opinion is that

the Council's governance arrangements continue to be regarded as fit for purpose.

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

- RESOLVED -
- i) That the information be noted.
 - ii) That the Annual Governance Statement to accompany to Statement of Accounts 2017/18 be approved
 - iii) That the Annual Governance Statement and the Statement of Accounts 2017/18 be passed to the Leader of the Council and the Chief Executive for signature.

ASC 145 DATE AND TIME OF NEXT MEETING

The next meeting will take place on Monday 23 July 2018 at 10.00 am in the Blaydon Room.

Chair.....