

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 22 July 2019

PRESENT: Councillor M Charlton (Chair)
Councillor(s): J McClurey, J McElroy, N Weatherley, D Burnett, S Green, Mr Stuart Bell (Independent Member), Mr G Clark (Independent Member)

APOLOGIES: Councillor(s): L Green and Mr B Jones

ASC223 MINUTES

The minutes of the meeting held on 24 June 2019 were agreed as a correct record.

Senior officers will also set up training for members of the Committee on the roles and responsibilities of members of the Audit and Standards Committee.

The Chair is also due to attend a training event for Chairs and Vice-Chairs hosted by CIPFA in September and an update will be given at the next meeting of the Committee, in October 2019.

ASC224 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC225 AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2019-20

The Committee received a report outlining the work programme for the remainder of the municipal year 2019/20.

RESOLVED - That the information be noted.

ASC226 QUARTERLY STANDARDS UPDATE

The Committee received a report which formed part of the quarterly standards update highlighting national and local standards issues.

The report provided the Committee members with an update on national reviews and consultations which may be relevant to their role.

RESOLVED -

- i) That the information be noted
- ii) That a Standards Update will be provided on a quarterly basis to the Audit and Standards Committee and then pertinent information be rolled out to all Councillors as necessary.

ASC227 ANNUAL REPORT TO CABINET AND COUNCIL 2018/19

The Committee received a report outlining the Annual Report to Cabinet and Council 2018/19, which allows the Audit and Standards Committee to demonstrate the positive impact of its work through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for:

- Maintaining effective internal control
- Risk management; and
- Reporting on Financial and other performance

The Committee were advised that the Audit and Standards Committee has received reports in the following areas during 2018/19:

Internal Audit planning, performance and activity;
Annual Internal Audit benchmarking results;
Internal Audit recommendations;
External Audit planning, performance and activity;
Corporate Risk Management and Resilience activity;
Counter Fraud Updates;
Standards Updates;
The Annual Governance Statement and supporting evidence;
Review of Internal Audit Charter and compliance with Public Sector Internal Audit Standards;
Annual Audit Letter;
Achievement of Going Concern Status;
Audit Completion Report and Council Statement of Accounts;
Treasury Management Policy and Strategy and mid-year update;
Local Code of Governance;
Review of Internal Audit Charter;
Review of Financial Regulations;
Training and Induction; and
External Quality Assessment of Internal Audit.

The Committee were assured that based on the evidence presented during the year and at the meeting of the Committee on 24 June 2019 it was concluded that the Council's system of internal control and governance framework is effective. This was demonstrated through the approval of the Annual Governance Statement for 2017/18, which accompanies the Statement of Accounts.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee agreed the draft report to Cabinet and Council

**ASC228 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2019 AND
GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2018/19**

The Committee received a report which provided an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2018/19 by the Council's external auditors Mazars.

The annual audit of the Council's Statement of Accounts and use of resources has now been substantially completed for 2018/19 and the Council's external auditor has issued its report, subject to the completion of outstanding work.

The Audit Completion Report covers:

- The Council's Statement of Accounts including significant findings, internal control recommendations and a summary of misstatements;
- The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources including a value for money conclusion.

The external auditors report and the Council's Statement of Accounts were tabled as appendices to the main report.

The Committee were advised that although Mazars anticipate completing their work in July, it should be noted that they also place reliance on the work of other auditors, including Ernst and Young (EY) to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts, and disclosures in relation to the Council's interest in the airport. They also need to review the work of KPMG in respect of external Audit of The Gateshead Housing Company (TGHC) Statement of Accounts in order to be able to place reliance on the TGHC figures incorporated into the Group Accounts.

In relation to TGHC, KPMG are to provide Mazars with access to their files to allow the necessary Group Accounts work to be completed. It is anticipated that Mazars will receive sufficient assurance from KPMG's files by the statutory deadline of 31 July to allow the Council's accounts to be fully signed off.

The Committee also received an update position verbally from Mazars at the meeting.

The Committee were advised that none of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Management have assessed the identified unadjusted misstatement as not being material, either individually or in aggregate to the financial statements, and does not plan to adjust.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee requested that the font for security warnings on all Council PC's be enlarged to ensure that the warning is easily identifiable to users
 - iii) The Committee noted the contents of the external auditor's Audit

- Completion Report and Statement of Accounts 2018/19 prior to their submission to the Accounts Committee on 26 July 2019
- iv) The Committee wished to place formally on record their thanks to all officers involved in the preparation of the reports and work undertaken behind the scenes.

ASC229 CORPORATE RISK MANAGEMENT 2019/20 - QUARTERLY REPORT TO 30 JUNE 2019

The Committee received a report which provided an update on developments in Corporate Risk Management during the period 1 April 2019 to 30 June 2019 in compliance with the requirements of good corporate governance.

The report covers progress against the Corporate Risk Management Developmental Objectives for 2019/20 as cited in the Corporate Risk Management Annual Report 2018/19 and any other risk management issues emerging within the quarter under consideration

The Strategic Risk Register has now been adopted and will be monitored and any actions reported quarterly to Audit and Standards Committee with any significant amendments reported to Cabinet.

Committee were advised that a new risk in relation to Climate Change is being discussed with responsible officers to establish the Council's objectives to ensure effective delivery, the risks to achieving those objectives, the mitigations and the planned controls. Work will continue to determine how the risks could be built into operational risk registers and on raising the awareness and general profile of Climate Change Objectives.

This Risk Assessment will be presented to CMT before being brought to this Committee for review prior to presentation to Cabinet for inclusion in the Strategic Risk Register.

The Committee were also advised on work on Operational Risk, Business Continuity and Critical IT Systems as well as an update on the work of the Risk and Resilience Group.

At the meeting of the Risk and Resilience Group the following topics were discussed:

- EU Exit Planning
- Revised Strategic Resilience Management Framework
- Revised Emergency Response Process
- Counter Terrorism Planning Update
- Local Resilience Forum Update

- RESOLVED -
- i) That the information be noted
 - ii) The Committee agreed that the Council's risk management

arrangements were effective.

ASC230 ACHIEVEMENT OF GOING CONCERN STATUS 2018/19

The Committee received a report to consider the Council's status as a going concern.

The Committee were advised that the Council has a strong record of delivering within budget and achieving savings. During the period 2010/11 to 2018/19 savings of £157m have been identified and substantially delivered.

The Annual Audit Letter from Mazars include a value for money conclusion, which considers the identification, monitoring and achievement of savings. The last letter issued in relation to 2017/18 concluded that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Committee also received details of the Current Position 2018/19, the Future Position – 2019/20 Budget, and the future position in the Medium Term Financial Strategy (MTFS).

The Committee were advised that in conclusion, based on the assessment undertaken, the Council's Chief Finance Officer (section 151 officer) view is that the Council is aware of the challenges it faces and is prepared to deliver its services in the future taking account of the future known risks and therefore the Council is a going concern and the Statement of Accounts should be prepared on that basis.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee agreed that the Council is considered to be a going concern on the assessment in the report and that the accounts are prepared and approved on that basis.
 - iii) The Committee wished to place upon record their thanks to all the officers for their work in assisting this Committee and asked that all staff involved be thanked personally by senior management.

ASC231 ANNUAL GOVERNANCE STATEMENT 2018/19 - INTERNAL AUDIT REVIEW OF MANAGER'S ASSURANCES

The Committee received a report informing the Committee of the outcome of the work by the Internal Audit Service in reviewing the assurances provided by the Service Directors to inform the 2018/19 Annual Governance Statement.

The 2018/19 Annual Governance Statement audit was carried out using a theme-based approach across the Council. All Service Directors were required to provide evidence to support their declarations made on the Assurance Statement in response to the following questions:

- Management and Staffing
- Business Continuity

The Committee were advised that the audit concluded that systems and controls were operating well and no recommendations were raised.

The overall conclusion of this work, as included in the quarter one update from Internal Audit report elsewhere on this Committee agenda, is that the systems and processes for the completion of the Managers' Assurance Statements are operating well and that they provided a good level of assurance for the 2018/19 Annual Governance Statement.

RESOLVED - That the information be noted.

ASC232 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.

ASC233 INTERNAL AUDIT PLAN 2019/20 QUARTERLY MONITORING REPORT TO 30 JUNE 2019

The Committee received a report outlining progress made by the Internal Audit & Risk Service against the audit plan for the financial year 2019/20 and summarises the main findings arising from audit activity throughout the period 1 April 2019 to 30 June 2019.

From the reviews carried out to 30 June 2019 audit work was found to be complying with PSIAS and the Audit Manual.

The year to date performance is as follows:

- 100% of audits were completed within budgeted time against a target of 90%.
- Productive or chargeable time was recorded at 67% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.81 against a target of 3.4.
- The target for implementation of audit recommendations due is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendations due is 100%, with 100% of all high priority and 100% of all medium priority recommendations having been implemented. Further information was tabled as an appendix to the main report.

RESOLVED - That the information be noted

ASC234 DATE AND TIME OF NEXT MEETING

The next meeting will be held on Monday 28 October 2019 at 10.00 am in the Blaydon Room.

Chair.....