

**GATESHEAD METROPOLITAN BOROUGH COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE MEETING**

**Monday, 20 July 2020**

**PRESENT:** Councillor M Charlton (Chair)  
Councillor(s) S Green, L Green, J McElroy, R Beadle, Mt S Bell and Mr G Clark (Independent Members)

**APOLOGIES:** Councillor D Burnett and Mr B Jones (Independent Member)

**ASC267 WELCOME TO NEW MEMBER**

The Chair welcomed Councillor Ron Beadle and Ged Morton, Service Director, Corporate Services and Governance to their first meeting of the Committee.

**ASC268 MINUTES**

RESOLVED – That the minutes of the meeting held on 9 March 2020 were approved as a correct record.

**ASC269 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**ASC270 CONSULTATION ON DRAFT MODEL CODE OF CONDUCT CONSULTATION**

The Committee received a report setting out the proposals for consultation on a new model Code of Conduct for Elected Members and sought comments and approval to respond.

The LGA have produced an online consultation questionnaire, designed for both members and officers. The Committee were advised that the LGA draft Model Code of Conduct has been developed in consultation with the wider local government sector and the LGA has committed to undertake an annual review of the Model Code to ensure it continues to be fit for purpose, particularly with respect to advance in technology, social media and any relevant changes in legislation.

The draft Model Code covers its purpose and application, refers to the seven Principles of Public life and describes what model member conduct is expected. It goes on to describe the minimum requirements through some specific obligations of general conduct.

To assist members in considering the consultation the LGA have produced a consultation questionnaire setting out questions to consider, this is an online form but was also reproduced for members as an appendix to the main report.

Any individual whether an elected Member, Independent Person or Officer may respond to the consultation.

Members will wish to note that responding to the consultation does not commit the Council to adopting the Model Member Code of Conduct. The Strategic Director Corporate Services and Governance as the Council's Monitoring Officer envisages that the Audit and Standards Committee would wish to reconsider the model code in detail, set against a review of the existing Code of Conduct for Councillors once the final version of the LGA Model Code is launched.

- RESOLVED -
- i) That the information be noted
  - ii) That Members note the current consultation regarding the LGA's model code of conduct and provide any comments to the Strategic Director, Corporate Services and Governance to respond to the consultation
  - iii) That the outcome of the consultation and the final version of the model code of conduct be submitted to a future meeting of the Committee

#### **ASC271 EXTERNAL AUDITOR: AUDIT PROGRESS REPORT**

The Committee received a report and verbal update requesting that the Committee note the external auditor's progress against planned work.

The report summaries 2019/20 audit progress, and includes:

- An updated Communications and Timeline summary; and
- CIPFA Year End Bulletin

The external auditor's report was appended to the main report.

- RESOLVED - That the information be noted

#### **ASC272 OVERSIGHT OF MANAGEMENT PROCESSES 2019/20**

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 conclusion.

The areas of governance under consideration, together with an explanation of how oversight is exercised by the Audit and Standards Committee, was appended to the main report.

- RESOLVED - i) That the information be noted

- ii) The Committee agreed that an effective level of oversight is in place

### **ASC273 MEMBERS' ASSURANCE STATEMENTS 2019/20**

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 was last updated and agreed by the Audit and Standards Committee on 27 January 2020. This code defines how the Council complies with the principals of good governance as set out on 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; and
- Implementing good practices in transparency

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

Assurance was sought from Councillors who served in the Cabinet during 2019/20, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements, by reference to the principles set out above.

All Cabinet Members considered that governance arrangements are effective.

- RESOLVED -
- i) That the information be noted
  - ii) The Committee endorsed the opinion that the Council's governance arrangements are effective.

### **ASC274 MANAGERS' ASSURANCE STATEMENTS 2019/20**

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 9 March 2020 an assurance framework which would 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-assessment for 2019/20, 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 revisiting business planning and risk registers to ensure they reflect the recent restructure and continue to support delivery of Council priorities.

Internal Audit has time in the 2020/21 audit plan to review the evidence and actions identified by managers on their assurance statements for 2019/20, including any actions managers have identified to enhance controls.

RESOLVED - That the information be noted

#### **ASC275 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2019/20**

The Committee received a report which asked the Committee to review the effectiveness of internal audit within the Council for 2019/20.

The Accounts and Audit Regulations 2015 require all authorities to “conduct an annual review of the effectiveness of internal audit and for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement.

Best practice highlights that “internal audit”, in this context, includes not only the Internal Audit Service but also the Audit and Standards Committee in 2019/20.

The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report on this agenda, can be relied upon as a key source of evidence in the Annual Governance Statement.

The review of the effectiveness of the system of Internal Audit for 2019/20 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & Governance. The basis of the review is set out in paragraph 5 of the report, and paragraphs 6-13 of the report set out the review process undertaken in each area and the outcomes, including the review of the Audit and Standards Committee which found it to be operating effectively. A copy of this assessment is attached at Appendix B to the report.

Paragraph 14 sets out the key performance indicators for the Service in 2019/20, with all key targets achieved.

As previously reported to the Audit and Standards Committee on 28 October 2019, benchmarking continues to highlight the Internal Audit Service as being low cost with high productivity in comparison with other local authorities.

Based on the review detailed above the Council's Internal Control Group concluded that the Council's System of Internal Audit is operating effectively.

- RESOLVED -
- i) That the information be noted
  - ii) That the opinion that the Council's system of Internal Audit is operating effectively be endorsed
  - iii) That the thanks of the Committee be passed onto the team for their work, particularly during the COVID19 pandemic.

#### **ASC276 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2019/20**

The Committee were advised that assurance derived from risk management forms part of the evidence to inform the Annual Governance Statement. The report presents to Committee the arrangements that exist within the Council for managing risk, the impact that these have had and also the plans for further development of risk management arrangements.

The Corporate Risk Management Report is attached at Appendix 1, and outlines the prevailing arrangements that exist within the Council for managing risk, the impact that these have had on the Council's operations and 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

#### **ASC277 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.

#### **ASC278 ANNUAL COUNTER FRAUD UPDATE 2019/20**

The Committee received a report advising that the assurance derived from counter fraud arrangements forms part of the evidence to inform the Annual Governance Statement and outlined the arrangements that exist within the Council for countering fraud and provided an update to the Committee on activity undertaken since 1 April 2019 by the Internal Audit and Risk Service in relation to the work of the Corporate Fraud Team.

Para 9 of the report gave a flavour of some of the awareness initiatives carried out in year to promote Counter Fraud awareness, and paras 13-17 set out how potential frauds and irregularities are monitored and reported.

The Corporate Fraud Team received 144 fraud referrals during 2019/20, which for the most part were of a trivial nature or unproven. The referrals related to a variety of fraud types and a full breakdown using CIPFA Benchmarking Categories is shown in Appendix 1.

Paragraphs 21-37 summarise some of the significant areas of proactive fraud work during the year, including Right to Buy where the application of Corporate Fraud Team checks on applications has resulted in the cancellation of 13 applications, saving almost £570,000 of discount. In addition, these properties will remain part of the Council's stock and continue to generate rental income.

Two of the applications that were cancelled also resulted in the tenants handing back their keys saving the Council notional costs of £186,000.

One ongoing investigation from last year has now concluded with the accused agreeing to a caution, which was an admission of guilt, on condition they paid the Council discount and costs totalling £93,465.

There are currently two ongoing investigations that are being worked on with assistance from Legal and Democratic Services. One tenant is being summoned to the Magistrates Court in late October which could result in a right to buy discount of £49,455 being repaid and the other is under investigation with the potential of a trial to proceed.

Updates on these investigations will be reported to a future meeting of this Committee.

Work conducted by the team specifically in relation to Right to Buy fraud has generated an overall saving of £849,175.

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

The Committee received a report informing them about the work undertaken by the Internal Audit and Risk Service during 2019/20 and gave 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.

Paragraphs 4-9 set out the key elements of the Quality Assurance framework for Internal Audit, and paragraphs 11-13 set out the main audit findings. The Committee were advised during 2019/20 the Council's internal control systems and governance arrangements are considered to be effective.

This opinion is based on all audit activity throughout the year, which has been reported to the Audit and Standards Committee on a quarterly basis. Attached at Appendix A is a summary of the audit activity for the year.

For 2019/20, 72 audits (84%) (74, 83% in 2018/10) concluded that systems and procedures in place were operating well or satisfactory. 14 audits (16%) (15, 17% in 2018/19) concluded that systems and procedures had significant weakness.

As a result of this audit work there are no areas for inclusion as future actions for improvement in the Annual Governance Statement for 2019/20.

RESOLVED – That the report and audit opinion be noted.

#### **ASC280 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.

#### **ASC281 ANNUAL GOVERNANCE STATEMENT 2019/20**

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 approve the Annual Governance Statement 2019/20 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 9 March 2020 the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Para 3 of the report sets out the areas where assurances were required, and paragraphs 5-22 summarise how the assurance was obtained in each area.

As reported to the Audit and Standards Committee on 9 March, a corporate group uses the findings from these 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 prepares the Annual Governance Statement for approval by this Committee, which will then accompany the Council's Annual Statement of Accounts.

This Group, the Internal Control Group, which is chaired by the Strategic Director, Resources and Digital and includes the Strategic Director, Corporate Services and Governance along with representatives from Internal Audit and Corporate Risk Management has reviewed the evidence from the sources of assurance reported and prepared the Annual Governance Statement for 2019/20 which is attached at Appendix A.

This AGS has been prepared during the outbreak of COVID-19. During this period the Council has operated within the framework of its Business Continuity Plans which have been developed to enable the Council to operate effectively in times of crisis. Critical activities were prioritised and support services were delivered at a reduced level to comply with Government guidance and also enable redeployment of resources to support critical activities. Paragraph 24 of the AGS summarises the key actions taken to ensure Governance arrangements continued to be effective, and paragraph 42 how assurance was provided on the effectiveness of arrangements and the intention to review lessons learned at the appropriate time.

Based on the review of the Council's governance arrangements during 2019/20 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.

Based on the review of the arrangements introduced to strengthen governance to support the Council's response to the COVID-19 emergency, the opinion is that the Council's governance arrangements continue to be fit for purpose during that period.

The Annual Governance Statement therefore reflects this opinion and gives detail the evidence obtained to achieve it, actions taken to improve governance following the previous Annual Governance Statement, and an action plan for the next year.

- RESOLVED -
- i) That the information be noted
  - ii) That the Annual Governance Statement to accompany the Statement of Accounts 2019/20 be approved
  - iii) That the Annual Governance Statement and the Statement of Accounts 2019/20 be passed to the Leader of the Council and the Chief Executive for signature.
  - iv) That the thanks of the Committee are placed upon record to all staff for their continued work and dedication during the COVID-19



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**ASC282 DATE AND TIME OF NEXT MEETING**

The next meeting of the Committee will be held on Monday 28 September 2020 at 10.00 am.

**Chair.....**