

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 28 June 2022

PRESENT: Councillor L Kirton (Chair)
Councillor(s): L Green, J McElroy, R Mullen and C Ord
Independent Member(s): I Dormer and L Bowler

APOLOGIES: Councillor(s): R Beadle, H Kelly and Mr Stuart Bell
(Independent Member)

ASC388 MINUTES

The minutes of the last meeting held on 25 April 2022 were approved as a correct record.

ASC389 CONSTITUTION

The Constitution of the Committee for municipal year 2022-2023 was noted and agreed.

ASC390 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC391 TREASURY ANNUAL REPORT 2021/22

The Committee received a report requesting to review the proposed Treasury Annual Report prior to consideration by Cabinet.

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

The Committee were asked to review the Treasury Annual Report which was attached at Appendices 2, 3 and 4 to ensure that the Council fully complies with the requirements of good financial practice in Treasury Management and submit the comments to Cabinet.

The Committee noted and agreed that the Treasury Annual Report be submitted to Cabinet for approval.

RESOLVED – The Committee noted and agreed that the Treasury Annual Report be submitted to Cabinet for approval.

ASC392 OVERSIGHT OF MANAGEMENT PROCESSES 2021/22

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

The areas of governance under consideration, together with an explanation of how oversight is exercised by the Audit and Standards Committee was detailed and attached at Appendix 1.

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

ASC393 MEMBERS' ASSURANCE STATEMENTS 2021/22

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.

Assurance was sought from Councillors who served in the Cabinet during 2021/22, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements.

All Cabinet Members considered that governance arrangements are effective.

Based on the evidence identified in the assurance statements from Members of Cabinet, governance arrangements are considered to be effective.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee noted the assurances of Members of Cabinet and the evidence on oversight and endorsed the opinion that the Council's governance arrangements are effective

ASC394 MANAGERS' ASSURANCE STATEMENTS 2021/22

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 Audit and Standards Committee agreed on 7 March 2022 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from senior managers on the effectiveness of controls they have in place are fundamental within the framework.

Service Directors were asked to complete self-assessments which took the form of a questionnaire covering the processes in place to manage their key control and governance processes. This included a requirement to state whether they agreed or

disagreed that the processes they had in place provided an effective level of assurance in 18 key areas, with a requirement to detail the evidence to support their assessment.

- RESOLVED -
- i) That the information be noted
 - ii) That the assurances provided by senior managers be noted

ASC395 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2021/22

The Committee were asked to review the effectiveness of internal audit within the Council for 2021/22.

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 2021/22.

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 2021/22 has been undertaken by the Council's Internal Control Group, which includes the Strategic Director of Resources and Digital and Corporate Services and Governance. The Committee were advised that the basis of the review was as follows:

- 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

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 2021/22 the following key performance indicators are relevant:

- 97% of audits were completed within budgeted time against a target of 90%.
- Productive or chargeable time was recorded at 66% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.82 (96%) against a target of 3.4 (85%)
- The target for implementation of audit recommendations was 100% for high priority recommendations and 90% for medium priority and best practice

recommendations. The rate of implementation of all recommendations was 99% with 100% of all medium and high priority recommendations having been implemented.

The Committee were advised that due to the ongoing pandemic, benchmarking exercises have been suspended by CIPFA since 2020/21. As previously reported to the Audit and Standards Committee on 28 October 2019, benchmarking for 2019/20 highlighted the Internal Audit Service as being low cost with high productivity in comparison with other local authorities. The service has continued to be low cost and high productivity demonstrating that the Council is receiving value for money from its Internal Audit Service.

Therefore 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) The Committee considered and endorsed the opinion that the Council's system of internal audit is operating effectively

ASC396 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2021/22

The Committee received a report which outlined the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for further development of risk management arrangements.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee noted the Corporate Risk Management Annual Report 2021/22 as shown in Appendix 1 and agreed that the Council has effective risk management arrangements in place

ASC397 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.

ASC398 ANNUAL COUNTER FRAUD UPDATE 2021/22

The Committee received a report outlining the arrangements that exist within the Council for countering fraud and provided an update on activity undertaken since 1 April 2021 by the Internal Audit and Risk Service in relation to work of the Corporate Fraud Team.

The Committee received details of counter fraud awareness and some of the awareness initiatives carried out in 2021/22 were;

- An Employee Bulletin, intranet update and social media posts were issued in

- September 2021 to raise the profile of the Corporate Fraud team
- Regular alerts and warning are received from the National Anti-Fraud Network (NAFN) regarding a range of frauds and scams against Council's and schools. All warnings are monitored by the Corporate Fraud Officers and communicated to the related service areas. Relevant warnings are added to the Corporate Fraud section on the intranet and staff are alerted via the weekly team brief.
- Participation in National Fraud Awareness Week in November 2021.
- Participation in a regional Tenancy Fraud Awareness Week in February 2022.

Committee also received updates on monitoring and reporting cases of potential fraud and irregularity as well as performance/outturn and proactive counter fraud work.

Committee were advised that there are currently three ongoing investigations into Right to Buy and updates on these investigations will be reported to a future meeting of the Committee.

But as a result of the work conducted by the team specifically in relation to Right to Buy fraud it has generated an overall saving of £386,940 during 2021/22.

The Committee received details of exempt disposals, DWP joint working and the Fraud Case Management System and National Fraud Initiative (NFI).

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

ASC399 INTERNAL AUDIT ANNUAL REPORT 2021/22

The Committee received a report informing them about work undertaken by the Internal Audit and Risk Service during 2021/22 and give 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 Committee received details of the quality assurance framework and the main audit findings and overall assessment. Based on evidence arising from the planned internal audit activity during 2021/22, 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. This opinion is based on internal audit work undertake and completed.

Attached at Appendix A was a summary of the audit activity for the year.

For 2021/22, 64 audits (88%) concluded that systems and procedures in place were operating well or satisfactory. 9 audits (12%) concluded that systems and procedures had significant weaknesses. This audit work has not resulted in any areas for inclusion as future actions for improvements in the Annual Governance Statement for 2021/22.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee noted the audit opinion that the Council's internal control systems and governance arrangements are considered to be effective

ASC400 RE-ADMITTANCE OF THE PRESS AND PUBLIC

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

ASC401 ANNUAL GOVERNANCE STATEMENT 2021/22

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 (AGS) 2021/22, attached at Appendix A.

The Accounts and Audit Regulations 2015 require Council's 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.

Based on the review of the Council's governance arrangements during 2021/22 including the internal control and risk management environment 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 continued to be fit for purpose during that period.

The Annual Governance Statement therefore reflects this opinion and gives details of 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) The Committee approved the Annual Governance Statement to accompany the Statement of Accounts 2021/22 prior to it being passed to the Leader of the Council and Chief Executive for signature.

ASC402 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee will be held on Tuesday 26 July 2022 at 4.00 pm

Chair.....