

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 24 July 2017

PRESENT: Councillor J Turnbull (Acting as Chair)
Councillor(s): J McElroy, G Clark, B Jones

APOLOGIES: Councillor(s): H Haran, J Green and L Green

ASC73 MINUTES

The minutes of the last meeting held on 19 June 2017 were approved as a correct record.

ASC74 DECLARATIONS OF INTEREST

There were no declarations of interest raised.

ASC75 ANNUAL REPORT TO CABINET AND COUNCIL 2016/17

In accordance with the Committee's terms of reference, it was asked to consider the issues discussed during 2016/17, for inclusion in the annual report to Cabinet.

The annual report to Cabinet and Council allows the Committee to demonstrate the positive impact of its work through providing effective challenge across the Council. This includes providing assurance on the Council's arrangement for:

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

Details of the activity covered over the last year were appended to the report.

RESOLVED – that the draft report to Cabinet and Council be approved

ASC76 AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2017 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2016/17

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 financial statements and external auditor's opinion. Review by this Committee is an additional step in the process to comply with best practice.

The annual audit of the Council's Statement of Accounts and use of resources has

now been completed for 2016/17 and the Council's external auditor, Mazars has issued its report.

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 auditor's report and the Council's Statement of Accounts were appended to the report.

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) work to give assurance on the Tyne and Wear Pension Fund (TWPF) disclosures in the Council's Statement of Accounts. Despite assurances that the work by EY on the TWPF would be completed during July, the TWPF Audit Opinion has not yet been issued. It is anticipated that the Council's auditors will have received sufficient assurance from EY by the Accounts Committee date to allow the Council's accounts to be fully signed off.

The key messages from Mazars' Audit Completion Report were outlined as:-

- 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.
- Identified misstatements – the auditors' work identified a number of misstatements that have been discussed with management.
- Use of resources – at the time of issuing the report and subject to the satisfactory conclusion of the remaining audit work, Mazars anticipate having no matters to report in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Statement of Accounts is materially consistent with the 2016/17 revenue and capital outturn reports considered by Cabinet on 20 June 2017. Along with minor adjustments and presentational changes, the following misstatements to the Statement submitted for audit on 31 May 2017 have been identified through the audit process:

Short-term investments/short term debtors: £0.665m interest relating to a Newcastle Airport loan was incorrectly treated as a short term investment rather than a short term debtor.

Property, Plant and Equipment (PPE)/Revaluation Reserve: £4.481m relating to finance costs were incorrectly included in the valuations for Depreciated Replacement Cost (DRC), so overstating PPE Net Book Value (NBV) by this amount on the Balance Sheet.

Property, Plant and Equipment (PPE)/Revaluation Reserve: £2.307m relating to the valuation of the SITA Waste Disposal Site incorrectly calculating the residual economic useful life of the assets by one year, resulting in an error in the overall valuation amounting to the equivalent of one year's depreciation. The impact is to understate the PPE NBV on the balance sheet by this amount.

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 misstatements as not being material or in aggregate to the financial statements, and does not plan to adjust.

The Committee requested that training be arranged for Committee members in due course and wished to place on record their thanks to the Finance team.

- RESOLVED -
- i) That the contents of the report and review be noted.
 - ii) That the Accounts Committee be advised that the Audit and Standards Committee has no issues to raise on the outcome and findings of the Council's Statement of Accounts 2015/16.

ASC77 CORPORATE RISK MANAGEMENT 2017/18 - QUARTERLY REPORT TO 30 JUNE 2017

The Committee received a report on the developments in Corporate Risk Management during the period 1 April to 30 June 2017, in accordance with the requirements of good corporate governance.

The report covered progress against the Corporate Risk Management Developmental Objectives for 2017/18 as cited in the Corporate Risk Management Annual Report 2016/17 and any other risk management issues emerging within the period.

It was reported that work is continuing on the comprehensive review of the Strategic Risk register and a first draft was presented to the Corporate Risk and Resilience Group for comment prior to circulating for wider consultation.

The 2016/17 CIPFA Benchmarking return has been reviewed to identified areas for improvements, no areas were identified however a process for continuous improvements is in place and if any areas are identified during the course of the year these will be acted upon.

The Action Plan for the delivery of the Developmental Objectives for 2017/18 incorporating progress to date was appended to the report.

The Committee were advised that the Risk and Resilience Group met on 28 April 2017, when the first draft of the Strategic Risk Register was tabled. Other items for discussion were:

- The action plan arising from the Pandemic Influenza Business Continuity exercise completed in April;
- Resilience and emergency planning updates in relation to recent planning exercises and operations;
- Health and Safety overview including work that is taking place in Gateshead following the Grenfell Tower incident; and
- Engagement with Services in relation to Critical ICT Systems Service Planning

The Committee requested that examples of risk should be scrutinised in more detail and requested that an item be looked at, at each meeting in greater detail.

The Committee wished to place upon record their thanks to the Finance staff for a very thorough and informative report.

RESOLVED – that the information be noted.

ASC78 ACHIEVEMENT OF GOING CONCERN STATUS 2016/17

The Committee received a report which considered the Council's status as a going concern as this is now considered best practice in the current challenging local government financial climate.

The report set out the context of the Council having a strong record of delivering within budget and achieving savings. During the period 2010/11 to 2016/17 savings of £130m have been identified and substantially delivered.

The last Annual Audit Letter from Mazars issued in 2015/16 concluded that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources and issued an unqualified value for money conclusion on 22 September 2016.

The Council undertook a peer challenge earlier this year which was published in July 2017 and this described the Council as a consummate performer in respect of its financial management and this was a council wide achievement.

The Committee were advised of the current financial position 2016/17, the future position with regards the 2017/18 budget and the future position for the revised Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2022/23.

The Committee were advised that based on the assessment undertaken, the Council's Chief Finance Officer's (section 151 officer) view is that the Council is fully 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 - The Committee agreed that the Council is considered to be a going concern based on the assessment provided in the report and that the accounts are prepared and approved on that basis.

ASC79 COMMITTEE ON STANDARDS IN PUBLIC LIFE

The Committee received a report informing of the activities undertaken by the Committee on Standards in Public Life (CSPL) during 2016-17 and its proposals for future work as set out in its latest Strategic Plan titled "Setting the Standards".

The Strategic Plan and Annual Report/Forward Plan provided an overview of the activities undertaken by the CSPL during 2016-17. Whilst not specifically related to the work of this Committee there are a number of matters reported on which will be of general interest including:

- The Conduct of Referendums
- 'Fake News'
- Party Funding
- MP's Business Costs and Expenses

The CSPL intends to undertake a review of local government standards during 2017-18, further details of which are set out in the 2017-18 Forward Plan. The review will be based around a consultation, to be launched in early 2018, with findings and recommendations published later the same year.

The Report also identifies a Forward Plan of other topics for consideration by the CSPL during 2017-18, including:

- Conduct of Referendums;
- Impact of Social Media;
- MP's outside interest;
- Party Funding, and
- Academies

RESOLVED – that the information be noted.

ASC80 EXCLUSION OF THE PRESS AND PUBLIC

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

ASC81 INTERNAL AUDIT PLAN 2017/18 - QUARTERLY MONITORING REPORT TO 30 JUNE 2017

A report was presented outlining the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2017/18. The report also summarised the main findings arising from audit activity throughout the period 1 April 2017 to 30 June 2017.

RESOLVED – that the information be noted.

ASC82 DATE AND TIME OF NEXT MEETING

Monday 2 October 2017 at 5.30 pm

Chair.....