

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 5 March 2018

PRESENT: Councillor(s): J Green, J McElroy, G Clark, J Turnbull and Mr Stuart Bell (Independent Member)

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

ASC107 MINUTES

The minutes of the last meeting of the Committee held on 29 January 2018 were approved as a correct record.

ASC108 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC109 AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2017-18

The Audit and Standards Committee work programme for 2017/18 was tabled and the contents noted.

ASC110 TREASURY POLICY STATEMENT AND TREASURY STRATEGY REPORT

The Committee received a report which reviewed the proposed Treasury Policy Statement and Treasury Strategy for 2018/19 to 2022/23 prior to consideration by Cabinet.

The Committee were advised that in order for the Strategic Director of Corporate Resources to exercise his delegated powers, the Council agrees a five-year Treasury Management Policy and Treasury Strategy which is reviewed at the start of each financial year.

The Treasury Policy and Treasury Strategy have been prepared considering 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 and CIPFA's Code of Practice on Treasury Management (2017).

The Committee reviewed the Treasury Policy and Treasury Strategy as appended to the main report, thus ensuring that the Council fully complies with the requirements of good financial practice in Treasury Management.

- RESOLVED -
- i) That the information be noted
 - ii) That the Treasury Policy and the Treasury Strategy be agreed and submitted to Cabinet for consideration

ASC111 EXTERNAL AUDITOR: AUDIT STRATEGY MEMORANDUM YEAR ENDING 31 MARCH 2018

The Committee received the external auditor's Audit Strategy Memorandum for the year ended 31 March 2018.

The report set out:

- A summary of the engagement and responsibilities;
- The audit engagement team;
- Audit scope, approach and timelines;
- Significant risks and key judgements areas;
- Value for money;
- Fees for audit and other services;
- Commitment to independence; and
- Materiality and misstatements.

Key areas of risk were identified as:

- Management override of controls
- Revenue recognition
- Property, plant and equipment revaluation
- Defined benefit liability valuation
- Group Accounts Assessment

As previously reported to the Committee, the statutory timetable for the production and audit of the Council's financial statements changes for 2017/18. The Council is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier). The Council have successfully met the earlier deadline in both of the last two years. Officers have met and agreed a detailed plan in order to successfully achieve the revised timetable again in 2017/18.

RESOLVED - that the contents of the external auditor's Audit Strategy Memorandum be noted.

ASC112 ANNUAL GOVERNANCE STATEMENT 2017/18 - ASSURANCE FRAMEWORK

The Committee received a report which provided an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2017/18 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

The assurance framework supports the AGS and provides councillors with information on the Council's control environment and governance arrangements. It

maps the Council's strategic objectives to risks and controls and seeks assurance from a number of sources of Council activity.

The process of preparing the AGS should itself add value to the effectiveness of the Governance Assurance Framework. The assurance process will demonstrate four aspects:

- **Identify** – what do we want assurance on?
- **Assess** – what are the sources of assurance?
- **Review** – how is assurance validated?
- **Act** – what are the opportunities to improve?

The Committee were advised that in preparing the governance statement it will be necessary to review evidence from the following sources which together form the assurance framework:

- Governance arrangements
- Councillors
- Strategic and Service Directors
- The system of internal audit
- 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

The Committee were advised that the Council has a Local Code of Governance, which was originally presented to the Audit and Standards Committee in April 2007.

This was last updated and agreed by the Audit and Standards Committee on 29 January 2018. This Code defines how the Council complies with the principals of good governance as set out in the revised approach to a 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
- Implementing good practice in transparency

A corporate group, chaired by the Strategic Director, Corporate Resources will use the findings to form a view on the adequacy of the Council's overall internal control and governance arrangements.

Using evidence from this assessment the Group will prepare the AGS for 2017/18

for approval by the Audit and Standards Committee in June 2018. This will then accompany the Statement of Accounts for 2017/18

RESOLVED – The Assurance Statement was agreed

ASC113 INTERNAL AUDIT PLAN 2017/18 UPDATE REPORT

The Committee received a report on the review of outstanding planned audits to revise the audit plan to reflect and maximise the impact of anticipated resources available for the remainder of the audit year.

The Internal Audit Plan Quarterly Monitoring Report to 31 December 2017 reported to the Audit and Standards Committee on 29 January 2018 highlighted that due to delays experienced in recruiting to fill unplanned vacancies which arose during the year, further compounded by the impact of the necessary training and support for the new employees, progress to date was not on target to achieve the local performance target of 97.25% of actual hours against planned hours for the year.

To optimise the impact of a revised level of resources, it was agreed that a review of the outstanding planned audits and consideration of their relative risk ratings would be undertaken, following which high and medium priority audits would be prioritised and any outstanding audits would be carried out early in the new audit plan year.

A review of the audit plan and discussion with Service Directors highlighted changes to Service Delivery that enabled available resources to be optimized by some audits being either no longer required or combined with other audits, which removed 555 hours from the plan.

In previous years, audits of key systems were scheduled to take place at specified times on an annual basis to coincide with External Audit work on the financial statements as they placed reliance on this work. As External Audit no longer place reliance on this, it is reasonable to reprofile the audits into the next financial year, despite them being high priority, as the internal audit opinion has consistently been operating well and it is actually less than 12 months since the most recent audit opinion was issued and reported. This removed 1,200 hours from the plan.

The remaining audits in the plan were then assessed against a prudent estimate of the productive hours that could be delivered in the remainder of the financial year, and where necessary low and medium priority audits that would otherwise have taken place in the final quarter of the year will be rescheduled to the first quarter of the new audit plan year. These audits account for 1,040 hours.

The final vacancy within the Service will be filled when a new member of staff commences employment on 5 March 2018, which when coupled to the recent investment in recruitment and training will put the Service in a strong position for the sustained delivery of future audit plans.

The Committee were advised of the revised plan taking account of the review process, which revises the planned hours to 15,994.

RESOLVED - that the information be noted and the revised plan agreed.

ASC114 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.

ASC115 RISK MANAGEMENT WITHIN RESILIENCE AND EMERGENCY PLANNING

The Committee were presented with a report which provided an overview of the risks associated to the Council within the Resilience and Emergency Planning function; an overview of the statutory legislation; an overview of the Community Risk Register and how the Council operates to mitigate and manage these risks.

The Committee were advised that within Gateshead the current prevalent three risks are:

- Pandemic Influenza
- Adverse Weather and
- Flooding

The Committee were also advised on the work being undertaken to address Emerging Threats, the Strategic and Emergency Planning Framework, and the Training and Exercising Programme.

The Committee were advised that the Council has a Corporate Risk and Resilience Group that brings both areas together to work coherently. The aim of the Group is to promote and support risk management and resilience throughout the Council and to ensure compliance with the Council's Financial Regulations and Civil Contingencies Act 2004.

Regular updates are provided to members of Audit and Standards Committee on the working themes of the group. Live examples of work undertaken will also be provided to future meetings of the Committee.

RESOLVED -

- i) That the information be noted
- ii) That the Committee agree to receive any future updates and live examples of the work undertaken to future meetings of the Committee.

ASC116 DATE AND TIME OF NEXT MEETING

The next meeting will be held on Monday 30 April 2018 at 10.00 am

Chair.....