

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 24 June 2019

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

APOLOGIES: Councillor(s): S Green

ASC205 MINUTES

RESOLVED - That the minutes of the last meeting held on 29 April 2019 be approved as a correct record.

ASC206 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC207 CONSTITUTION

The Constitution of the Committee, including the appointment of the Chair and Vice Chair and Independent Members for municipal year 2019/2020 was noted.

ASC208 ROLE AND REMIT

The Committee received a report outlining the role and remit of the Audit and Standards Committee.

RESOLVED - that the information be noted.

ASC209 AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2019-2020

The Committee received a report outlining the work programme for municipal year 2019/2020.

RESOLVED - That the information be noted.

ASC210 MAZARS AUDIT PROGRESS REPORT - JUNE 2019

The Committee received a verbal update from Mazars providing an audit progress report as at June 2019.

- RESOLVED -
- i) That the information be noted
 - ii) That further updates will be provided to Committee in due course.

ASC211 OVERSIGHT OF MANAGEMENT PROCESSES 2018/19

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) That the Committee agreed that an effective level of oversight is in place.

ASC212 MEMBERS' ASSURANCE STATEMENTS 2018/19

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 sets out how it complies with best practice in relation to its governance arrangements. This code was fully redrafted and agreed by the Audit and Standards Committee on 29 January 2019 to ensure compliance issued by CIPFA/SOLACE, Delivering Good Governance in Local Framework. An updated version of the Local Code was approved by the Committee on 28 January 2019. The seven 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 governance 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 2018/19, in the form of a self assessment statement, were completed and all Cabinet Members considered that governance arrangements are effective.

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

ASC213 MANAGERS' ASSURANCE STATEMENTS 2018/19

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 4 March 2018 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-assessments for 2018/19, 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 strengthening and testing of business continuity arrangements.

An audit of managers assurances for 2017/18 has been progressed during the year and an update was reported to Audit and Standards Committee on 23 July 2018 as part of the Internal Audit quarterly monitoring report. The overall conclusion of this work was that the systems and processes for the completion of the Managers' Assurance Statements were operating well and that they provided a good level of assurance for the 2017/18 Annual Governance Statement.

Internal Audit has time in the 2019/20 audit plan to review the evidence and actions identified by managers on their assurance statements for 2018/19, including any actions manager have identified to enhance controls.

- RESOLVED - That the information be noted.

ASC214 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2018/19

The Committee received a report which asked the Committee to review the effectiveness of internal audit within the Council for 2018/19.

The review ensures of the effectiveness of the system of Internal Audit for 2018/19 has been undertaken by the Council's Internal Control group, which includes the Strategic Directors of Corporate Resources and Corporate Services and Governance. This review is based upon the following:

- 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

The PSIAS require an external assessment of internal audit functions to be completed every five years. In compliance with PSIAS the Internal Audit Service was assessed against current Internal Audit practices and compliance with professional standards by external auditors, Mazars during 2014/15.

The outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with the standards in all significant aspects and that there are no areas of concern.

The Committee were advised that the self-assessment requires an evaluation of how the five principles of the statement are embedded within the Council and the Chief Internal Audit skills and personal experience. The statement has common themes with the PSIAS. The self-assessment found arrangements to be compliant with the statement.

The Committee were informed that a joint working protocol is in place between Internal Audit and the Council's external auditors, Mazars. Wherever possible the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities. During 2018/19 Mazars did not place specific reliance on any of Internal Audit's work but through regular monthly meetings work has been co-ordinated wherever possible and intelligence shared.

The Committee were advised that CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities (2013) includes a checklist for measuring the effectiveness of the Council's Audit and Standards Committee. This assesses in more detail some of the areas examined in the assessment against PSIAS.

A review, based on this guidance, was carried out by the Council's Internal Control Group on 14 May 2019. This covered the following areas:

- Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

The Committee were pleased to note that the review found the Audit and Standards Committee to be operating effectively with some minor areas for action.

The Committee were also informed that 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 2018/19 the following key performance indicators are relevant:

- 100% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 76% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.59 (90%) against a target of 3.4 (85%)
- The target for implementation of audit recommendations is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendation is 100%, with 100% of all medium priority and 100% of all high priority recommendations having been implemented.

As previously reported to the Audit and Standards Committee on 1 October 2018, benchmarking continues to highlight the Internal Audit Service as being low cost with high productivity in comparison with other local authorities. The net cost per chargeable day for Gateshead Council was £184 compared to an average of £293, with 176 chargeable days compared to the average of 176 days demonstrating that the Council is receiving value for money from its Internal Audit Service.

Based on the review 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.

ASC215 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2018/19

The Committee considered the Corporate Risk Management Report for 2018/19 as the basis for assessing the effectiveness of risk management arrangements. The report outlines the prevailing arrangements that exist within the Council for managing risk, impact that these have had on the Council's operations and also 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

ASC216 TREASURY ANNUAL REPORT 2018/19

The Committee were asked to review the Treasury Annual Report, and its appendices in order to ensure that the Council fully complies with the requirements of good financial practice in Treasury Management.

- RESOLVED -
- i) That the information be noted
 - ii) The Committee endorsed the Treasury Annual Report and agreed that it be submitted to Cabinet in due course for consideration.

ASC217 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.

ASC218 ANNUAL COUNTER FRAUD UPDATE 2018/19

The Committee received a report outlining the arrangements that exist within the Council for countering fraud and provides an update on activity undertaken since 1 April 2018 by the Internal Audit Service in relation to work of the Corporate Fraud Team.

The Government's latest figures state that fraud costs local authorities an estimated £2.1 billion a year.

The Councils Counter Fraud and Corruption Strategy, Counter Fraud and Corruption Policy, and Fraud Response Plan was agreed by Audit and Standards Committee on 29 January 2018 and by Council on 22 March 2018.

The Audit and Standards Committee is responsible for monitoring the arrangements the Council has put in place to mitigate the risk of fraud and corruption.

There are two dedicated fraud officers who are Accredited Counter Fraud Specialists (ACFS) with CIPFA. The team are managed by a Senior Audit and Risk Officer. These officers will carry out proactive anti-fraud and corruption work, targeting high risk areas and will record and assess every referral if it warrants investigation.

Other work includes carrying out fraud investigations, delivering training to increase awareness throughout the Council, maintaining and communicating the Council's Counter Fraud and Corruption Arrangements and the provision of increased support to management to prevent and detect fraud.

Housing benefit, social security benefits and tax credits are investigated by the Department of Work and Pensions (DWP) under the national Single Fraud Investigation Service (SFIS).

The Committee also received updates on:

- Counter Fraud Arrangements
- Monitoring and Reporting Cases of Potential Fraud and Irregularity
- Performance/Outturn
- Proactive Fraud Work
- NNDR Business Rates
- Right to Buy
- National Fraud Initiative (NFI)

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

ASC219 INTERNAL AUDIT ANNUAL REPORT 2018/19

The Committee received a report informing them about the work undertaken by the Internal Audit and Risk Service during 2018/19 and provided the Committee with 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 audit plan for 2018/19 set out to meet the requirements of the UK Public Sector Internal Audit Standards (PSIAS) in providing a risk-based focus for the deployment of internal audit resources.

The audit plan also enables the Strategic Director, Corporate Resources to fulfil his delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.

The Committee were advised that based on evidence arising from the planned internal audit activity during 2018/19, the Council's internal control systems and governance arrangements are considered to be effective.

RESOLVED - That the information be noted.

ASC220 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

ASC221 ANNUAL GOVERNANCE STATEMENT 2018/19

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

2018/19 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 4 March 2019 the assurance framework which would be provide evidence for the completion of the Annual Governance Statement. Assurances were required in the following areas:

- Governance arrangements
- Councillors
- Senior Managers
- The system of internal audit
- Risk management arrangements
- Counter Fraud Arrangements
- Performance management and data quality
- View of the external auditor and other external inspectorates
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other sources of assurance

Based on the review of the Council's governance arrangements during 2018/19, 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.

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 AGS, 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 2018/19 be approved
 - iii) That the Annual Governance Statement and the Statement of Accounts 2018/19 be passed to the Leader of the Council and the Chief Executive for signature.

ASC222 DATE AND TIME OF NEXT MEETING

The next meeting will take place on Monday 22 July 2019 at 10.00 am in the Blaydon Room

Chair.....

