

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 25 October 2022

PRESENT: Councillor L Kirton (Chair)
Councillor(s): R Beadle, L Green, H Kelly, J McElroy,
R Mullen and C Ord

INDEPENDENT MEMBERS: Stuart Bell
Laura Bowler

APOLOGIES: Independent Member(s): Ian Dormer

ASC MINUTES
410

The minutes were approved as a correct record.

ASC DECLARATIONS OF INTEREST
411

ASC ANNUAL GOVERNANCE STATEMENT 2021/22 - INTERNAL AUDIT REVIEW OF
412 MANAGERS' ASSURANCES

The Committee received a report to inform of the outcome of the work by the Internal Audit and Risk Service in reviewing the assurances provide by Service Directors to inform the 2021/22 Annual Governance Statement.

The Accounts and Audit Regulations 2015 require an Authority to produce and Annual Governance Statement setting out its governance arrangements and reviewing their effectiveness.

The Audit and Standards Committee agreed on 7 March 2022 an assurance framework which would provide evidence for the completion of the 2021/22 Annual Governance Statement.

Service Directors were asked to build on the work carried out in previous years and complete a self-assessment assurance statement detailing the level of assurance they felt they could place on their key control and governance processes. The were required to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance. There was also a requirement to detail the evidence to support this assessment. Internal Audit undertake an annual review of the assurance statements to ensure:

- Where key controls are not providing a sufficient level of assurance action

- has been taken to address these areas; and
- Where key controls are providing a good level of assurance, evidence exists to support this assessment.

The audit concluded that systems and controls were operating well and no recommendations have been made. The overall conclusion of this work is that the systems and processes for the completion of the Managers' Assurance Statements are effective and that they provided a good level of assurance for the 2021/22 Annual Governance Statement.

RESOLVED - That the information contained within the report be noted.

ASC 413 CORPORATE RISK MANAGEMENT 2022/23 QUARTER 2 UPDATE

The Committee received a report to provide an update on Corporate Risk Management during the period 1 July 2022 to 30 September 2022.

In November 2018, Cabinet and Council approved a revised Strategic Risk Register which had been presented to Audit and Standards Committee on 1 October 2018. The Corporate Management Team has continued to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register. There have been no changes to the Strategic Risk Register during Quarter 2.

Operational Risks identified within the Council are recorded on the operational risk register. Work continues to ensure operational risk management activity within Services continue to align with service objectives, including those risks specific to operational objectives.

In accordance with the Council's Risk Management and Business Continuity Policies, all Services are required to continuously assess the risk of their activities being disrupted and to develop the cost effective business continuity plans. All Business Impact Assessments have been review bi-annually during the pandemic period from March 2020 with the most recent review in May 2022. This was to continue to identify threats to critical activities and potential increase demand on Council Services following a further wave of infections or incidents such as Storm Arwen. Business Continuity Plans are revised accordingly to mitigate as far as possible, any threats to the delivery of key activities with a focus on activity that could not be interrupted for more than 48 hours without critical impact.

The Corporate Risk and Resilience Group last met 18 October 2022 and the following items were considered:

- Ongoing impact of Covid 19, cost of living pressures and energy on service delivery
- Resilience and emergency planning
- Updates from Groups and Services

RESOLVED - that the information contained within the report be noted.

ASC 414 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2022

The Committee received a report to inform of the review of the Treasury Management performance for the six months to 30 September 2022, covering investments and borrowing. This is consistent with approved performance management arrangements.

The mid-year performance of the Treasury Management Service is reported in line with CIPFA's Code of Practice on Treasury Management and the Council's Treasury Policy Statement and Treasury Strategy which was approved by Council on 24 March 2022.

The Council operates a balanced approach and this means broadly that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing security and adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations.

The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 24 March 2022. There are no policy changes to the TMSS.

It was noted that the Council will continue to look at what borrowing is deemed as necessary and will overall continue with the policy of internal borrowing as this reduces borrowing costs.

RESOLVED - That the information contained within the report be noted.

ASC 415 AUDIT COMPLETION REPORT YEAR END 31 MARCH 2022 AND GATESHEAD COUNCIL STATEMENT OF ACCOUNTS 2021/22

The Committee received a report to provide an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2021/22 by the Council's external auditor Mazars.

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

At the time of Mazars issuing the Audit Completion report the key messages are as follows:

- Audit Opinion - Subject to the conclusion of the satisfactory conclusion of the remaining audit work, Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements. However, this is subject to the conclusion of matters in relation to infrastructure.
- Identified misstatements – the auditor’s identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report. Further work is ongoing in relation to the audit of revised actuarial disclosures, and the accounting treatment following the decision to bring, The Gateshead Housing Company back within the Council.
- Value for Money – at the time of issuing the report, Mazars anticipate having no significant weaknesses to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
- Whole of Government Account (WGA) – the timetable for the Council’s submission for 2021/22 has not yet been published. Audit work will commence once such instructions have been received.
- Wider Powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No questions of objections have been received.

It is anticipated that all issues will be resolved by next month.

RESOLVED - That the Committee note the information contained within the report.

ASC 416 ACHIEVEMENT OF GOING CONCERN STATUS 2021-22

The Committee were presented with a report which asks the Committee to consider the Council’s status as a going concern and to agree based on the information provided in the report that it is.

As Local Authorities are created and abolished only by statutory changes there is an underlying assumption in the 2021/22 CIPFA/LASAAC Code of Practice on Local Authority Accounting (Accounting Code) that their accounts will be prepared on a going concern basis.

Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. Although the financial context continues to be challenging and uncertain the Council has a strong track record of meeting its financial obligations and maintaining financial sustainability through delivery within budget.

The Annual audit letter from Mazars includes a commentary on the Council’s value for money arrangements which considers financial sustainability, governance and economy efficiency and effectiveness.

RESOLVED - That the Committee agrees that the Council is considered to

be a going concern based on the assessment in the report presented.

ASC 417 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the Press and Public be excluded from the meeting for consideration of Items 10 and 11 in accordance with paragraph 7 of Schedule 12A of the Local Government Act 1972.

ASC 418 MID YEAR COUNTER FRAUD UPDATE 2022/23

The Committee received an update report on activity undertaken since 1 April 2022 by the Internal Audit and Risk Service in relation to the work of the Corporate Fraud Team. It also updates on action taken to raise awareness of the risk of fraud and corruption, details the cases of potential fraud and irregularity, updates on any proactive counter fraud work and progress of the Council's participation in National Fraud Initiative.

The Government's latest figure state that fraud costs local authorities an estimated £7.8billion per year. The risk of fraud and corruption is recognised as an operational risk and the Counter Fraud Policy and Strategy is identified as a control on the Strategic Risk Register.

The 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 approved by Council 22 March 2018. These are reviewed periodically, and any fundamental changes required would be reported to this Committee.

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

RESOLVED - That the information contained within the report be noted.

ASC 419 INTERNAL AUDIT PLAN 2022/23 QUARTERLY MONITORING REPORT TO 30 SEPTEMBER 2022

The Committee received a report which outlined the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2022/23 and which summarised the main findings arising from audit activity throughout the period 1 July 2022 to 30 September 2022.

The audit plan 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.

It was reported that 44% of the audit plan for Gateshead Groups and Services in terms of actual audit hours against planned hours to date has been completed, which is on target to achieve the local performance target for the year.

Of the 20 assignments were completed during the period, the conclusion in nine cases was operating well, ten satisfactory and one significant weakness. The significant weakness opinion was for a school, arising from one high priority recommendation relating to the school not having a Record of Processing Activity, which is a legislative requirement, documenting how personal data is used. Management accepted the recommendation.

From the reviews carried out to 30 Sept 2022 audit work was found to be complying with Public Sector Internal Audit Standards and the Audit Manual.

All indicators are either on or exceeding targets, with the exception of productive or chargeable time, which was 65% against a target of 72%, which is due the relatively high instances of annual leave during the period, along with the extra public holiday. It was reported that if the target is profiled to take account of this, it shows that the position at this point in the year is on target to achieve the 72% position at the year end.

RESOLVED - That the information presented in the report be noted.

ASC 420 DATE AND TIME OF NEXT MEETING

The next meeting will take place on 31 January 2023 at 4.00pm.

Chair.....