

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 20 June 2023

PRESENT: Councillor L Kirton (Chair)
Councillor(s): R Mullen, L Green, H Kelly, J McElroy, C Ord
and Mr Stuart Bell (Independent Member)

IN ATTENDANCE: Councillor(s):

APOLOGIES: Councillor(s): R Beadle

ASC443 CONSTITUTION

The Constitution of the Committee for municipal year 2023/24 was noted.

ASC444 MINUTES

The minutes were approved as a correct record.

ASC445 DECLARATIONS OF INTEREST

There were no declarations of interest. Further updates will be presented to the Committee as the project develops

ASC446 TREASURY ANNUAL REPORT 2022/23

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

In line with what the Government defines 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 any comments to Cabinet.

The Committee asked if the Council undertook future stress analysis in order to mitigate any interest rate rises. Officers reported that this was part of the cash flow analysis.

The Committee asked if the Council undertook regular analysis on its borrowing levels. Officers reported that borrowing levels are checked and analysed on a daily basis by finance officers.

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

ASC447 MEMBERS ASSURANCE STATEMENT 2022/23

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 2022/23, 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 statement 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

ASC448 MANAGERS ASSURANCE STATEMENT 2022-23

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 2023 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.

The Committee sought further clarification on who was classed as a senior manager and also as to why some column on the table showed differing numbers, officers explained that senior managers were Service Director level and that some of the questions asked were not relevant to all managers across the organisation.

RESOLVED -

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

ASC449 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT 2022/23

The Committee were asked to review the effectiveness of internal audit within the Council for 2022/23.

The Accounts and Audit Regulations 2015 require all authorities to “conduct an annual review of the effectiveness of internal audit 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 2022/23.

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 2022/23 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & 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 of 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; and
- 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 2022/23 the following key performance indicators are relevant:

- 99% of audits were completed within budgeted time against a target of 90%
- Productive or chargeable time was recorded at 71.5% of overall time against as annual target of 72% of overall time
- The average score of the customer satisfaction questionnaires returned is 3.73 out of 4 (93%) 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 99.7% with 100% of all medium and high priority recommendations having been implemented.

The Committee were advised that CIPFA benchmarking has been suspended since 2020/21 and as yet have not restarted. 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.

The Committee queried the parameters of the scoring mechanism for the customer satisfaction questionnaires and were advised that the level of scoring was based on industry standard.

The Committee asked when benchmarking would be re-started and were advised that corporate benchmarking was underway and Tyne and Wear Treasurers would be undertaking their own.

- 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 successfully

ASC450 CORPORATE RISK MANAGEMENT - ANNUAL REPORT 2022/23

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 2022/23 as shown in Appendix 1 and agreed that the Council has effective risk management arrangements in place

ASC451 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

ASC452 COUNTER FRAUD ARRANGEMENTS - ANNUAL REPORT 2022/23

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 2022 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 2022/23 were:

- Various articles and posts were issued during September and October 2022

to inform employees and residents that the biennial National Fraud Initiative exercise was due to take place

- An Employee Bulletin, intranet update and social media posts were issued in November 2022 to raise the profile of the Corporate Fraud team as part of the National Fraud Awareness Week
- Regular alerts and warnings 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 internet and staff are alerted via the weekly team brief

The Committee were advised that the Corporate Fraud Team received 126 fraud referrals during 2022/23, 43 cases have been closed and for the most part were of a trivial nature or unproven. A further 36 were rejected and 7 cases are ongoing and still under investigation.

The remaining 40 cases were unallocated at the end of the year while prioritising work to progress the Digital Economy Act Data Sharing Hub pilot. Work is now underway sifting these referrals and investigations will follow. The referrals related to a variety of fraud types and a full breakdown was shown at Appendix A.

The Committee were advised that during the period 1 April 2022 to 31 March 2022 the team received 155 Right to Buy applications to check, of which 141 checks were completed as at the end of the financial year. During this period 10 RTB applications were cancelled as a result of the checks completed by the team resulting in £464,945 of discount saved. There were also 112 instances during the period where applicants cancelled their RTB applications.

As a result of the proactive RTB application checks, four housing benefit overpayments and one council tax reduction scheme overpayment were also identified resulting in action being taken to recover £12,702.

The Committee also received an update on DWP Joint Working, Fraud Case Management system and the National Fraud Initiative.

The Committee queried the length of time that a case would remain open and were advised that each case is different and the time frame would therefore differ but as a general rule of thumb cases would not remain open longer than 2 years.

- 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

ASC453 INTERNAL AUDIT ANNUAL REPORT 2022-23

The Committee received a report informing them about work undertaken by the Internal Audit and Risk Service during 2021/22 and gave 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 findings.

The Committee were advised that based on evidence arising from the planned internal audit activity during 2022/23, 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 and the opinion is based on internal audit work undertaken and completed. A summary of the audit activity for the year was attached to the main report at Appendix A.

For 2022/23, 80 audits (91%) concluded that systems and procedures in place were operating well or satisfactory. 8 audits (9%) concluded that systems and procedures had significant weaknesses. This audit work has not resulted in any areas for inclusion as future actions for improvement in the Annual Governance Statement for 2022/23.

The Committee hope that staff who discovered areas of significant weaknesses were recognised for their work, officers advised that all staff are recognised for their contribution to the audit findings.

- 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

ASC454 RE-ADMITTANCE OF THE PRESS AND PUBLIC

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

ASC455 ANNUAL GOVERNANCE STATEMENT 2022/23

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 approve the Annual Governance Statement (AGS) 2022/23, which was attached as Appendix A.

The Accounts and Audit Regulations 2015 required Councils to provide 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 7 March 2023 the assurance framework which would 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
- Views of the external auditor and other external inspectorates
- The legal and regulatory framework
- Financial controls
- Partnership arrangements and governance
- Other source of assurance

The Committee were advised that based on the review of the Council’s governance arrangement during 2022/23, 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 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 2022/23 prior to it being passed to the Leader and Chief Executive for signature.

ASC456 DATE AND TIME OF NEXT MEETING

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Chair.....