

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE MEETING

Tuesday, 5 November 2024

PRESENT: Councillor J Simpson (Chair)
Councillor(s): R Mullen, M Hall, H Kelly, J McElroy, M McNestry, Stuart Bell (Independent Member) and Ian Dormer (independent Member)

APOLOGIES: Councillor(s): R Beadle and C Ord

ASC32 MINUTES

The minutes were approved as a correct record.

ASC33 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC34 CORPORATE RISK MANAGEMENT 2024/25 - QUARTER 2 UPDATE

The committee received a report to provide an update on Corporate Risk Management during the period 1 July 2024 to 31 September 2024.

In July 2024, the Council adopted an updated Corporate Risk Management Policy. This has since been made available to all employees via the Intranet and Service Risk Coordinators who attend the Corporate Risk and Resilience Group who can assist with updating policies within their respective groups, service and teams.

The Corporate Risk Team is in the process of reviewing the approach to identifying and monitoring strategic risks to ensure they continue to align with the objectives in the Council's Corporate Plan and embed effective risk-based approach. This process will take some time but short-term updates to the strategic risk register have been agreed, those are:

- A 'risk' column has been added to show at a glance the broad impact of the risk
- Whilst CMT are collectively responsible for the effective management of Strategic Risks, a specific Strategic Director has been noted as risk owner for each risk, rather than 'CMT', to improve accountability.
- The Brexit risk will be archived on the basis that the uncertainty period has now passed, and financial impacts are captured as part of the overall financial planning process. Any supplies issues should be reflected in Service operational risk registers.
- Risk 10 has been expanded to take account of the Council's wider compliance responsibilities.

An emerging future risk has also been noted, in relation to Climate Change, to

consider the risk of a failure to deliver the Council's commitments to making the Council's activities carbon neutral by 2030, achieving 100% clean energy across the Council's full range of functions by 2030, and delivering the associated pledges in the Council's Climate Change Strategy.

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 reviewed bi-annually.

Quarterly audit and risk reports are provided to Group Management Teams to highlight the critical activities for which services have developed continuity plans.

The Corporate Risk and Resilience Group last met on 8 October 2024. The following items were considered:

- Strategic and Operational Risk Registers
- Emergency Planning, Resilience and Response
- Northumbria Local Resilience Forum
- Updates by exception from Groups and Services.

RESOLVED:

- i. That the Committee considered and discussed the effectiveness of the Council's risk management arrangements.
- ii. That Committee noted the report.

ASC35 TREASURY MANAGEMENT 2023/24 - QUARTER 2 UPDATE

The Committee received a report to inform of the review of the Treasury Management performance for the six months to 30 September 2024, covering investments and borrowing. This is consistent with approved performance management arrangements.

The mid-year performance of the Treasury Management Service is reported to 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 21 March 2024.

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 2024/25 was approved by Council on 21 March 2024. There are no policy changes to the TMSS.

RESOLVED:

- i. That the Committee noted the report.

ASC36 AUDIT COMPLETION REPORT - YEAR END 31 MARCH 2023

The Committee received a report to provide an update on the outcome and findings of the audit of Gateshead's Statement of Accounts 2023/24 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 – At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Forvis Mazars anticipate issuing an unqualified opinion, without modification, on the financial statements. However, this is subject to the conclusion of matters in relation to pensions.
- Identified misstatements – the auditor's work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is set out in the report.
- Value for Money – at the time of issuing the report, Forvis Mazars anticipate having no significant weaknesses in arrangements 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 Accounts (WGA) – the National Audit Office (NAO) have yet to issue instructions and until this is available Forvis Mazars are unable to commence work on the Council's WGA submission.
- 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 or objections have been received.

The Statement of Accounts is materially consistent with the 2023/24 revenue and capital outturn reports considered by Cabinet on 25 June 2024. Along with minor adjustments and presentational changes, the significant findings and misstatements to the Statement submitted for audit on 31 May 2024 have been identified through the audit process.

No changes in the Statement of Accounts impact on the revenue and capital outturn position reported to Cabinet or any useable reserves. Further testing is ongoing on the identified unadjusted misstatements with a view to assessing the impact on materiality. This may require further adjustments to the statement of accounts.

It was noted that the committee want to congratulate the Council on a clean audit report and an Excellent job done.

RESOLVED:

- i. The Committee noted the report.

ASC37 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.

ASC38 COUNTER FRAUD UPDATE

The Committee received an update report on activity undertaken since 1 April 2024 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 on 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.

The Corporate Fraud Team carry out proactive anti-fraud and corruption work, targeting high risk areas and record and assess every referral to see if it warrants

investigation. Other work carried out by the team are fraud investigations, training, maintaining and communicating the Council's Counter Fraud and Corruption Arrangements.

The Committee were informed that Fraud Awareness was coming up and would like members to be aware of the event as it showcases the work that is being carried out and how it can prevent potential fraud cases.

RESOLVED:

- i. That the Committee noted the report.

ASC39 INTERNAL AUDIT PLAN PROGRESS 2024/25 - QUARTER 2 UPDATE

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 2024/25 and which summarised the main findings arising from audit activity throughout the period 1 July 2024 to 30 September 2024.

ASC40 DATE AND TIME OF NEXT MEETING

Tuesday 28th January 2025

Chair.....