

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 28 October 2019

- PRESENT:** Councillor M Charlton (Chair)
- Councillors: L Green, S Green and J McElroy
Mr G Clark
- APOLOGIES:** Councillors: D Burnett, J McClurey and N Weatherley,
Mr Stuart Bell and Mr B Jones

ASC235 MINUTES

The minutes of the last meeting held on 22 July 2019 were approved as a correct record.

With regard to minute ASC228, the Committee was advised that its request for the font for security warnings on all Council PCs to be enlarged was being progressed as part of the upgrade to Windows 10.

ASC236 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC237 AUDIT AND STANDARDS COMMITTEE WORK PROGRAMME 2019-20

RESOLVED - That the Committee's work programme for 2019/20 be noted.

ASC238 TRAINING AND DEVELOPMENT REQUIREMENTS

Consideration has been given to a suggested development plan to meet the Committee's training needs. In addition, members were given an update on the training carried out to date in 2019.

- RESOLVED -
- (i) That the update be noted.
 - (ii) That the development plan set out in the report be approved.

ASC239 QUARTERLY STANDARDS UPDATE

Consideration has been given to the quarterly update highlighting national and local standards issues.

Members expressed concern at the proposals for voter ID and asked for these to be brought to the attention of the Council's Elections Team.

RESOLVED - That the update be noted.

ASC240 EXTERNAL AUDITOR: ANNUAL AUDIT LETTER 2018/19

Consideration has been given to the external auditor's Annual Audit Letter 2018/19.

The letter provides a summary of the external auditor's work and findings for 2018/19 in respect of the following:

- Audit of the financial statements
- Value for money conclusion
- Other reporting responsibilities
- Fees
- Forward look

RESOLVED - That the content of the external auditor's Annual Audit Letter 2018/19 be noted.

ASC241 EXTERNAL AUDITOR: 2018/19 AUDIT - ADDITIONAL FEE

The consolidation of Gateshead Housing Company into the Council's group accounts for 2018/19 necessitated additional external work in order for the opinion on the accounts to be given by the deadline of 31 July 2019.

The Council received a letter from the external auditor advising that the additional work had resulted in an additional fee of £9,724.

RESOLVED - That the contents of the letter from the external auditor be noted.

ASC242 RESULTS OF 2018/19 CIPFA AUDIT BENCHMARKING

The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of the Council's resources. Benchmarking data allows the comparison of the Internal Audit Service with ten other local authorities.

A summary report of the 2018/19 benchmarking results has been presented. Overall this continues the trend from previous years and highlights the Council's Internal Audit Service as being low cost with high productivity in comparison with other local authorities in the benchmarking data. The information is based upon 2018/19 actual results taken from the financial ledger and the internal audit management system.

RESOLVED - That the information be noted.

ASC243 CORPORATE RISK MANAGEMENT 2019/20 - QUARTERLY REPORT TO 30 SEPTEMBER 2019

Consideration has been given to developments in Corporate Risk Management during the period 1 July to 30 September 2019 in compliance with requirements of

good corporate governance.

With regard to the Strategic Risk Register, a new risk in relation to climate change is being discussed with responsible officers. The Council is carrying out a strategy refresh to establish targets and actions to ensure achievement of its' climate objectives by 2030 and an initial report is anticipated in January 2020. This report will enable the strategic risks to be drafted along with the necessary mitigations to manage the risk, which will be presented to the Committee for consideration.

Updates have also been given on operational risk, business continuity, critical IT systems and the work of the Risk and Resilience Group.

The work on the risks associated with climate change were welcomed but it was pointed out that this may have implications for the cost of future schemes and initiatives. The Committee was advised that climate change is one of the key priorities for the Council and a fundamental part of the setting of capital and revenue budgets. The risks were being addressed as part of the strategy refresh.

A member asked how the Council ensured the effectiveness of its risk management arrangements. The Committee was informed that the risk management champions for all services were on the Risk and Resilience Group which ensured the effectiveness of the arrangements. The Committee was also responsible for monitoring the arrangements. In addition, risk management training was provided to services and the effectiveness was also addressed as part of the benchmarking arrangements.

- RESOLVED -
- (i) That the information be noted.
 - (ii) That the Council's risk management arrangements be confirmed as being effective.

ASC244 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2019

The Committee has reviewed the treasury management performance for the six months to 30 September 2019 covering investments and borrowing, in line with approved performance management arrangements.

The report covers:

- Investment performance
- Rate of return
- Brexit and the Economy
- Borrowing
- PWLB Government Intervention

The projected net impact of investment and borrowing activity on the revenue budget in 2019/20 is an underspend of £2.107m, comprising £1.678m General Fund and £0.429m HRA.

Investment returns are likely to remain relatively low during 2019/20 and beyond and

interest rates are expected to be below long-term borrowing rates. Therefore, value for money considerations indicate that best value can be obtained by delaying new external borrowing and by using internal cash balances to finance new capital expenditure in the short term.

The current approach to borrowing internally provides benefits in terms of reduced credit risk, as the Council has less cash invested than if it had gone to the markets and borrowed externally. This means that cash balances and investment returns are historically low resulting in reduced levels of income, which is significantly outweighed by the savings achieved from avoiding external borrowing. The additional element of interest rate risk will continue to be monitored.

The Committee expressed concern at the possible impact of the Government's recent changes to the PWLB loans. The Committee was advised that these may potentially have an impact on the HRA and on some schemes and initiatives in the Borough. There was concern that the Government may do something similar again and this would have to be factored in.

RESOLVED - That the treasury management performance to 30 September 2019 be noted, prior to its submission to the Cabinet.

ASC245 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.

ASC246 MID YEAR COUNTER FRAUD UPDATE 2019/20

Consideration has been given to activity undertaken since 1 April 2019 by the Internal Audit and Risk Service in relation to the work of the Corporate Fraud Team. This includes action taken to raise awareness of the risk of fraud and corruption, details of the cases of potential fraud and irregularity, and updates on any proactive counter fraud work and progress of the Council's participation in the National Fraud Initiative.

RESOLVED - That the information be noted.

ASC247 INTERNAL AUDIT PLAN 2019/20 - QUARTERLY MONITORING REPORT TO 30 SEPTEMBER 2019

The Committee received a report outlining progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2019/20 and summarising the main findings arising from audit activity throughout the period 1 July to 30 September 2019.

From the reviews carried out to 30 September 2019 audit work was found to be complying with the Public Sector Internal Audit Standards and the Audit Manual.

Performance information for the year to date is as follows:

- 94% of audits were completed within budgeted time against a target of 90%.
- Productive or chargeable time was recorded at 72% of overall time against an annual target of 73% of overall time.
- The average score of the customer satisfaction questionnaires returned is 3.91 against a target of 3.4.
- The target for implementation of audit recommendations due is 100% for high priority recommendations and 90% for medium priority recommendations. The current rate of implementation of all recommendations due is 95.6%, with 100% of all high priority and 91.6% of all medium priority recommendations having been implemented.

RESOLVED - That the information be noted.

ASC248 DATE AND TIME OF NEXT MEETING

The next meeting of the Committee will be held on Monday 27 January 2020 at 10.00am in the Blaydon Room.

Chair.....