

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 21 June 2021

PRESENT: Councillor M Charlton (Chair)
Councillors: R Beadle, D Burnett, H Kelly and J McElroy
Mr Stuart Bell and B Jones (Independent Members)

APOLOGIES: Councillors L Green and S Green and Mr G Clark

ASC322 MINUTES

The minutes of the meeting held on 26 April 2021 were approved as a correct record.

ASC323 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC324 CONSTITUTION

The Constitution of the Committee for municipal year 2021-2022 was noted and agreed.

ASC325 REMIT OF THE AUDIT AND STANDARDS COMMITTEE

The remit of the Audit & Standards Committee was noted and agreed.

ASC326 TRAINING AND DEVELOPMENT REQUIREMENTS

The Committee received a report setting out the progress on training and development requirements for the Audit and Standards Committee.

The Committee were also advised of the training undertaken so far, and it is proposed that the training sessions that were postponed and delayed during the lockdown should be rearranged to take place during this municipal year.

In addition, a new Code of Conduct has been agreed by the Council and a Member's Seminar will be arranged. Following the seminar, training on the new Code will be arranged for all councillors and independent members.

All councillors are required to undertake this training once during their term of office. The Code of Conduct training will take place on an annual basis.

Members of the Committee can suggest training topics at any time throughout the year and submit these to Democratic Services. Officers will also consider further

possible training opportunities for the Committee. All suggestions will be discussed with the Chair and Vice Chair in the first instance and will then be raised with the Committee.

In addition, officers will identify opportunities for members of the Committee to attend national and regional events. Any members attending such an event would be expected to give feedback and share any learning materials with the Committee to maximise learning and development opportunities.

- RESOLVED -
- i) That the information be noted.
 - ii) That the proposals as outlined in the report be approved.
 - iii) That officers will the Committee whether there are any additional training or development needs which have not be included.

ASC327 TREASURY MANAGEMENT REPORT 2020/21

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 was 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 noted and agreed that the Treasury Annual Report be submitted to Cabinet for approval.

- RESOLVED - That the Treasury Annual Report be submitted to Cabinet for approval.

ASC328 OVERSIGHT OF MANAGEMENT PROCESSES 2020/21

The Committee received a report detailing how the Audit and Standards Committee exercises oversight of management processes in certain areas of governance in order to provide assurance to the external auditors.

The areas of governance under consideration, together with an explanation of how oversight is exercised by the Audit and Standards Committee was detailed and attached at Appendix A.

- RESOLVED -
- i) That the information be noted.
 - ii) That it be agreed that on the basis of information provided

an effective level of oversight is in place.

ASC329 MEMBERS' ASSURANCE STATEMENTS 2020/21

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 2020/21, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements, by reference to the principles set out above.

All Cabinet members considered that governance arrangements are effective.

- RESOLVED -
- i) That the information be noted.
 - ii) That the assurances of members of Cabinet and the evidence on oversight and endorsed the opinion that the Council's governance arrangements are effective be noted.

ASC330 MANAGERS' ASSURANCE STATEMENTS 2020/21

The Committee received a report informing them of the assurance which Service Directors placed on their contrail systems to feed into the Annual Governance Statement.

The Audit and Standards Committee agreed on 8 March 2021 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 19 key areas, with a requirement to detail the evidence to support their assessment.

- RESOLVED -
- i) That the assurances provided by senior managers be noted.
 - ii) That officers will look into succession planning for future staffing needs in due course.

ASC331 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2020/21

The Committee were asked to review the effectiveness of internal audit within the Council for 2020/21.

The Accounts and Audit Regulations 2015 require all authorities to "conduct an

annual review of the effectiveness of internal audit and 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 Services but also the Audit and Standards Committee in 2020/21.

The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report later 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 2020/21 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & Governance. The basis of the review is set out in paragraph 5 of the report, and paragraphs 6-13 of the report set out the review process undertaken in each area and the outcomes, including the review of the Audit and Standards Committee which found it to be operating effectively. A copy of this assessment is attached at Appendix B to the report.

Paragraph 14 sets out the key performance indicators for the Service in 2020/21, with all key targets achieved except for the implementation of medium priority recommendations, which at 83% is slightly below the target of 90%.

The Committee also received updates on the self-assessment against the CIPFA Statement on the role of the Head of Internal Audit, the reliance placed upon internal audit by the Council’s External Auditor, and the assessment of the effectiveness of the Audit and Standards Committee.

The Committee were advised that due to the ongoing pandemic, benchmarking exercises were suspended by CIPFA during 2020/21. As previously reported to the Audit and Standards Committee on 28 October 2019, benchmarking for 2019/20 highlighted the Internal Audit Services 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.

Based on the review detailed in the report 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.

ASC332 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2020/21

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) That the Corporate Risk Management Annual Report 2020/21, as shown in Appendix 1, be noted and it be agreed that the Council has effective risk management arrangements in place.

ASC333 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 7 of Schedule 12A to the Local Government Act 1972.

ASC334 ANNUAL COUNTER FRAUD UPDATE 2020/21

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 2020 by the Internal Audit and Risk Service in relation to work of the Corporate Fraud Team.

Paragraph 9 of the report gives a flavour of some of the awareness initiatives carried out in year to promote Counter Fraud awareness, and paras 13-17 sets out how potential frauds and irregularities are monitored and reported.

The Corporate Fraud Team received 112 fraud referrals during 2021/21, which for the most part were of a trivial nature or unproven. The referrals related to a variety of fraud types and a full breakdown using CIPFA Benchmarking Categories is shown in Appendix 1.

Paragraphs 23-37 summarise some of the significant areas of proactive fraud work during the year, including Right to Buy where the application of Corporate Fraud Team checks on applications has resulted in the cancellation of 4 applications, saving almost £175,000 of discount. In addition, these properties will remain part of the Council's stock and continue to generate rental income.

One ongoing investigation from last year is currently being concluded with the accused agreeing to a caution, which will be an admission of guilt, and a repayment of a settlement figure of £25,000.

The Committee were also advised that they are currently two ongoing investigations that are being worked on with assistance from Legal and Democratic Services and updates on these will be reported to a future meeting of the Committee.

As a result of the work concluded by the team specifically in relation to Right to Buy it has generated an overall saving of almost £200,000 during 2020/21.

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

ASC335 INTERNAL AUDIT ANNUAL REPORT 2020/21

The Committee received a report informing them about work undertaken by the Internal Audit and Risk Service during 2020/21, and gives 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.

Paragraphs 4-9 set out the key elements of the Quality Assurance framework for Internal Audit, and paragraphs 11-23 set out the main audit findings. Based on evidence arising from the planned internal audit activity during 2020/21 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.

Attached at Appendix A was a summary of the audit activity for the year.

For 2020/21, 50 audits (86%) concluded that systems and procedures in place were operating well or satisfactory. 8 audits (14%) concluded that systems and procedures had significant weakness. This audit work has not resulted in any areas for inclusion as future actions for improvement in the Annual Governance Statement for 2020/21.

- RESOLVED -
- i) That the information be noted.
 - ii) That the audit opinion that the Council's internal control systems and governance arrangements are considered to be effective be noted.

ASC336 RE-ADMITTANCE OF THE PRESS AND PUBLIC

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

ASC337 ANNUAL GOVERNANCE STATEMENT 2020/21

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 2020/21, 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.

Based on the review of the Council's governance arrangements during 2020/21, 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) That the Annual Governance Statement to accompany the Statement of Accounts 2020/21 be approved, prior to it being passed to the Leader of the Council and Chief Executive for signature.

ASC338 PROGRAMME OF MEETINGS 2021-2022

The programme of meetings for the remainder of the municipal year were agreed and noted.

ASC339 DATE OF NEXT MEETING

The next meeting of the Committee will be held on Monday 26 July 2021 at 10.00am.

Chair.....