

GATESHEAD METROPOLITAN BOROUGH COUNCIL
AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 20 June 2016

PRESENT: Councillor H Hughes

Councillors: M Hood, P Dillon, J Green, J McClurey,
G Clark, Common and B Jones

APOLOGIES: Councillor L Green

ASC1 CONSTITUTION

The constitution of the Committee and the appointment of the Chair and Vice Chair for the 2016/17 municipal year, as approved by the Council at its meeting on 20 May 2016, was noted.

It was also reported that that the Committee will include three independent members in respect of Audit matters and a representative of the Lamesley Parish Council will be invited to meetings in respect of Standards issues.

It was queried whether there is a term set for independent members to sit on the Committee, to ensure the Council's Audit matters are subject to renewed scrutiny. The need to ensure there is an appropriate turnover rate for independent members and independent persons is recognised and therefore positions are advertised, as appropriate.

RESOLVED: That the information be noted.

ASC2 REMIT OF THE AUDIT AND STANDARDS COMMITTEE

The role of the Committee and the powers delegated to it were reported. It was commented that the constitution will be updated to take account of recent changes so that all references are up to date.

RESOLVED: That the information be noted.

ASC3 MINUTES

The minutes of the last meeting held on 25 April 2016 were approved as a correct record.

ASC4 DECLARATIONS OF INTEREST

There were no declarations of interest.

ASC5 **EXTERNAL AUDITOR: AUDIT PROGRESS REPORT**

The Committee received an update report on Mazars' progress in delivering the 2015/16 audit and value for money conclusion.

The 'walkthrough of the key financial systems' by Mazars was queried and subsequently clarified for the Committee.

RESOLVED: That the contents of the external auditor's report be noted.

ASC6 **OVERSIGHT OF MANAGEMENT PROCESSES 2015/16**

A report was presented detailing how the 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 in an appendix to the report.

The Committee agreed to receive the Gateshead findings of the CIPFA Counter Fraud and Corruption Tracker at a future meeting.

The Committee was pleased to note that employees are aware of the revised whistleblowing policy.

RESOLVED: That following consideration of the evidence presented, the Committee was satisfied that the level of oversight is effective.

ASC7 **MEMBERS' ASSURANCE STATEMENTS 2015/16**

The Audit and Standards Committee agreed on 1 February 2016 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from Members of Cabinet on the effectiveness of the Council's governance arrangements are fundamental within the framework.

Assurance was sought from Members who served on the Cabinet during 2015/16, in the form of a self-assessment statement, on the effectiveness they felt could be placed on the Council's corporate governance arrangements, as outlined in the Code of Corporate Governance.

Assurance statements were provided by all Members of Cabinet, excluding the Leader who signs the overall Annual Governance Statement. These statements

asked Cabinet Members to consider evidence of the Council's governance arrangements against each of the six principles of governance. All Cabinet Members considered that governance arrangements are effective.

Based on the evidence identified in the assurance statements from Members of Cabinet and the arrangements for the oversight of key management processes, governance arrangements are considered to be effective.

- RESOLVED - i) That the assurances provided by Members of the Cabinet and the evidence on oversight be noted.
- ii) The opinion that the Council's governance arrangements are effective, was endorsed by the Committee.

ASC8

MANAGERS' ASSURANCE STATEMENTS 2015/16

The Accounts and Audit Regulations 2015 require Authorities to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness.

At its meeting on 1 February 2016, the Audit and Standards Committee agreed 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 covering the processes in place to manage their key control and governance processes. They were required to provide a statement on whether they agreed that the processes they had in place provided an effective level of assurance in 17 key areas. There was also a requirement to detail the evidence to support this assessment.

Based on the evidence arising from the self-assessments, managers agreed that necessary controls were in place, in key processes, to allow them to achieve their service objectives and therefore the objectives of the Council.

All assessments issued have been returned detailing satisfactory evidence.

Internal Audit has time in the 2016/17 audit plan to review the evidence and actions identified by managers on their assurance statements, including any actions managers have identified to enhance controls.

- RESOLVED - i) That the assurances provided by senior managers be noted.

ASC9

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2015/16

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.

For the year ended 31 March 2016 the Internal Audit Service has been assessed against current Internal Audit practices and compliance with professional standards. This assessment was undertaken by external audit. The outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with the standards and that there are no areas of concern.

The assessment against the CIPFA Statement requires an evaluation of how the five principles of the statement are embedded within the Council and the Chief Internal Auditor's skills and personal experience. The self-assessment found arrangements to be compliant with the statement.

A joint working protocol is in place between Internal Audit and the Council's external auditor, Mazars. Wherever possible, the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities. During 2014/15 Mazars did not place specific reliance on any of Internal Audit's work but through regular monthly meetings work has been co-ordinated wherever possible and intelligence shared.

CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities (2013)" includes a checklist for measuring the effectiveness of the Council's Audit Committee. A review, based on this guidance was carried out by the Council's Internal Control Group on 18 May 2016 and it found the Audit Committee to be operating effectively, with some minor areas for action.

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.

Based on the review, the Council's System of Internal Audit is operating effectively.

RESOLVED – That the opinion that the Council's system of internal audit is operating effectively, was endorsed by the Committee.

ASC10

CORPORATE RISK MANAGEMENT - ANNUAL REPORT 2015/16

The Corporate Risk Management Annual Report 2015/16 was presented to the Committee.

Robust risk management arrangements are a key element of a sound system of internal control and, therefore, essential to the Council being able to demonstrate that it has good systems of Corporate Governance. It also provides evidence to inform the Annual Governance Statement which is reviewed annually and accompanies the Statement of Accounts.

The report outlined the prevailing arrangements that exist within the Council for

managing risk, the impact that these have had on the Council's operations and plans for further development of risk management arrangements.

- RESOLVED -
- i) That the Corporate Risk Management Annual Report 2015/2016 be noted.
 - ii) The Council's risk management arrangements were considered to be effective.

ASC11 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED: That the press and the 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

ASC12 **INTERNAL AUDIT ANNUAL REPORT 2015/16**

The Committee received a report outlining all the work undertaken by the Internal Audit Service during 2015/16. The report gives an overall assessment of the adequacy of the Council's internal control systems and governance arrangements to inform the Annual Governance Statement and provides a summary of the main audit findings.

Based on the evidence arising from the planned internal audit activity during 2015/16, the Council's internal control systems and governance arrangements are considered to be effective.

For 2015/16, 70 audits were carried out and the findings were presented in the appendix to the report.

- RESOLVED -
- i) That the information be noted.
 - ii) That the audit opinion set out in the report be noted.

ASC13 **RE-ADMITTANCE OF THE PRESS AND PUBLIC**

RESOLVED: That the press and the public were re-admitted to the meeting for the remaining business.

ASC14 **ANNUAL GOVERNANCE STATEMENT 2015/16**

The Council is required to produce an Annual Governance Statement, giving an assessment of governance arrangements and their effectiveness.

The Committee agreed on 1 February 2016 the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances were required in the following areas:

- Governance Arrangements
- Cabinet Members
- Senior Managers
- The System of Internal Audit
- Risk Management Arrangements
- Performance Management and Data Quality
- Views of the external Auditor and other external inspectorates
- The Legal and Regulatory Framework
- Financial Controls
- Partnership arrangements

It was reported to the Committee on 1 February 2016 that a group (The Internal Control Group) has been set up to continually monitor the control and governance environment and to produce the Annual Governance Statement.

The Internal Control Group, which is chaired by the Strategic Director Corporate Resources and includes representatives of the Chief Executive, Strategic Director Corporate Services and Governance, Internal Audit and Corporate Risk Management has reviewed the evidence from the sources of assurance and prepared the Annual Governance Statement for 2015/16.

Based on the evidence it has concluded that the Council's system of internal control and governance is effective.

The Annual Governance Statement therefore reflects this opinion and gives details of the evidence obtained to achieve it.

RESOLVED - i) That the Annual Governance Statement be approved to accompany the Statement of Accounts 2015/16 prior to it being passed to the Leader of the Council and Chief Executive for signature.

Copies of all reports and appendices referred to in these minutes are available online and in the minute file. Please note access restrictions apply for exempt business as defined by the Access to Information Act.

The decisions referred to in these minutes will come into force and be implemented after the expiry of 3 working days after the publication date of the minutes identified below unless the matters are 'called in'.

Publication date: DeadlinePubminutes

Chair.....