

**GATESHEAD METROPOLITAN BOROUGH COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE MEETING**

**Monday, 25 July 2016**

**PRESENT:** Councillor H Hughes (Chair)  
Councillor(s): J Adams and J McElroy

**INDEPENDENT MEMBERS:** G Clark, J Common and B Jones

**APOLOGIES:** Councillor(s): P Dillon, J Green and L Green

**ASC MINUTES**  
**15**

RESOLVED: The minutes were approved as a correct record.

**ASC DECLARATIONS OF INTEREST**  
**16**

RESOLVED: There were no declarations of interest.

**ASC AUDIT COMPLETION REPORT YEAR ENDED 31 MARCH 2016 AND**  
**17 STATEMENT OF ACCOUNTS 2015/16**

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.

The annual audit of the Council's Statement of Accounts and use of resources has now been completed for 2015/16 and the Council's external auditor, Mazars has issued its report.

The Audit Completion Report covers:

- The Council's Statement of Accounts including significant findings, internal control recommendations and a summary of misstatements.
- The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources including a value for money conclusion.

The Committee welcomed the presentation of the Statement of Accounts two months earlier than in 2014/15, acknowledging that this provides an opportunity to

trial and prepare for the changes to the statutory deadlines from 2017/18. The Committee praised the work of all those involved.

The key messages are as follows:

- Audit Opinion - Mazars has issued an unqualified opinion on the Statement of Accounts, meaning that it is free from material error and has been prepared in accordance with proper practice.
- Use of resources – the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Statement of Accounts is materially consistent with the 2015/16 revenue and capital outturn reports considered by Cabinet on 14 June 2016. The report highlighted minor adjustments and presentational changes to the Statement which have been identified through the audit process.

None of the changes to the Statement of Accounts impact on the revenue and capital outturn positions reported to Cabinet, nor do they affect the position of any usable reserves. Management have agreed to amend the Statement to reflect the adjustments, with the exception of £4.035m balancing figure within the cash flow statement that was not analysed due to the minimal impact on the Statement.

The Committee was asked to note that although Mazars have completed their work, they also place reliance on the work of other auditors. Work by EYE on the Tyne and Wear Pension Fund (TWPF) has been delayed to the end of August and therefore the audit cannot be formally closed until this information is received.

It was commented that the recommendations made in respect of the need to review the disaster recovery plan concerning to mitigate the risk of data loss should be prioritised, as the issues were raised as part of the 2014/15 audit work. It was noted that the findings and recommendations have been agreed with officers and action plans are being produced in order to address the identified control issues within six months.

The Committee was satisfied with the assurance that the implications of the vote for the United Kingdom to leave the European Union and the potential establishment of a North East Mayoral Combined Authority will be built into financial plans.

The one 'other' payment made in 2015/16 (within the £150-200k exit package cost band) was queried. It was reported that the payment formed part of an agreed exit arrangement, in circumstances which were both extreme and sensitive.

It was queried whether audit activities cover the Council's Companies. It was clarified that there are income targets and that audit will focus on overstatement of income, however, once Companies are of a certain size they require audit. The Gateshead Housing Company, for example, has its own Audit Committee.

RESOLVED:            i) That the contents of the report and review be noted.  
                              ii) That the Committee agreed to receive a further update following completion of the EY work on the TWPF.

iii) That the Accounts Committee be advised that the Audit and Standards Committee has no issues to raise on the outcome and findings of the Council's Statement of Accounts 2015/16 by Mazars.

**ASC 18 ANNUAL REPORT TO CABINET AND COUNCIL: 2015/16**

In accordance with the Committee's terms of reference, it was asked to consider the issues discussed during 2015/16, for an inclusion in the annual report to Cabinet.

The annual report to Cabinet and Council allows the Committee to demonstrate the positive impact of its work through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for risk management; maintaining effective control and reporting on financial and other performance.

Details of the activity covered over the last year were appended to the report.

RESOLVED: That the draft report to the Cabinet and Council be approved.

**ASC 19 AMENDMENT TO THE TREASURY POLICY STATEMENT AND TREASURY STRATEGY 2016/17 TO 2018/19**

The Committee received a report asking it to review a proposed amendment to the Treasury Policy Statement and Treasury Strategy for 2016/17 to 2018/19, prior to it being considered by the Cabinet in September 2016.

The current Strategy was approved by Cabinet on 15 March 2016 and it was agreed that any in year changes would have to be reported and agreed by Cabinet on an exception basis.

Following the recent vote for the UK to leave the EU and the action taken by credit ratings agencies on the UK sovereign rating, Capita (the Council's Treasury Advisers) produced a note to ensure that Local Authorities who have sovereign criteria in their strategy review their policy and remove the UK from their criteria.

It was noted that failure to adopt the amendment could mean that the Council is in a position where no deposits can be made with UK Banks.

RESOLVED: The Committee endorsed the recommendation.

**ASC 20 CORPORATE RISK MANAGEMENT 2016/17 QUARTERLY REPORT TO 30 JUNE 2016**

The Committee received a report on the developments in Corporate Risk Management during the period 1 April 2016 to 30 June 2016, in accordance with the requirements of good corporate governance.

The report covered progress against the corporate risk management Developmental

Objectives for 2016/17 (as cited in the Corporate Risk Management Annual Report 2015/16) and other risk management issues emerging within the period.

It was reported that Business Continuity Plans have been reviewed to ensure they are consistent with the revised Council structure. Further work will be carried out during 2016/17 to ensure any further challenges facing the Council or changes to delivery models are reflected.

It was also reported that work to undertake and refresh the Strategic Risk Register has been delayed to align progress with changes to the organisational and business environment.

The Strategic Risk Register was also provided for information.

RESOLVED: That the information be noted.

**ASC 21 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

**ASC 22 INTERNAL AUDIT PLAN 2016/17 QUARTERLY MONITORING REPORT TO 30 JUNE 2016 (EXEMPT)**

A report was presented outlining the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2016/17. The report also summarised the main findings arising from audit activity throughout the period 1 April 2016 to 30 June 2016.

RESOLVED: That the information be noted.

**Chair.....**