

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

**Monday, 6 March 2017**

**PRESENT:** Councillor H Haran (Chair)  
Councillor(s): L Green, J McElroy and J Adams

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

**APOLOGIES:** Councillor(s): J Green

**ASC MINUTES**  
**40**

RESOLVED: The minutes were approved as a correct record.

**ASC DECLARATIONS OF INTEREST**  
**41**

RESOLVED: There were no declarations of interest.

**ASC LOCAL CODE OF GOVERNANCE**  
**42**

The Committee received an updated version of the Local Code of Governance and was asked to consider the proposed approach to developing and delivering the new CIPFA Delivering Good Governance in Local Government Framework.

It was reported that since 2007 the Council has developed annually a local code of governance based on CIPFA and SOLACE guidance. This has been updated for the current year to include a number of actions achieved and areas set out for improvement.

The Committee contributed to CIPFA's consultation on the review of their framework and in April 2016 this was updated. The new approach is aimed to better assist local authorities and associated organisations in reviewing the effectiveness of their own governance arrangements. The principles of good governance in the framework were identified. It was noted that the new approach complements the work in the Ways of Working change programme workstream, to embed organisation capabilities.

It was confirmed that, instead of being officer led the development of the new Framework will take a more iterative approach over the next 6-9 month. It was therefore proposed that a core officer working group be established and workshop sessions be held with regular reporting to this Committee, Strategy Group and Leadership Team.

Consideration was given to ways in which to get wider public consultation. It was suggested that two or three pertinent issues be identified from the document to consult on to ensure meaningful consultation. It was agreed that the scope for such consultation could be looked at during a short workshop. It was also suggested that the partnerships across the Council be consulted as well as Electoral Services around increasing democracy.

- RESOLVED: (i) That the Audit and Standards Committee approved the current updated Local Code of Governance
- (ii) That the Audit and Standards Committee approved the proposed approach to development of the new CIPFA Framework.

**ASC 43 EXTERNAL AUDITOR: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16**

The Committee received the external auditor's annual report on Certification of Claims and Returns.

There were two minor amends to the Housing Benefit Subsidy grant of £86.7m. The certificate was issued on 23 November 2016, within the deadline, the fee was £10,615.

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

**ASC 44 EXTERNAL AUDITOR: AUDIT STRATEGY MEMORANDUM YEAR ENDING 31 MARCH 2017**

The Committee received the external auditor's Audit Strategy Memorandum for the year ending 31 March 2017.

Key areas of risk were identified as;

- Management override of controls
- Revenue recognition
- Valuation of property, plant and equipment
- Valuation of the defined benefit pension scheme
- Introduction of the new iTrent Payroll system

The final review will be finished by July 2017 and will be reported back to the Committee.

It was confirmed that South Tyneside Pension Fund has agreed to look at the minimum amount of Pension Fund Assurance which is needed from them. Although there has been assurance that information should be released earlier, this may not be until the end of July.

It was questioned whether work with other partners is a national directive. It was

confirmed that NAO reflects this in its guidance, which is published online. It was agreed the link to the guidance would be circulated to the Committee after the meeting.

The fee remains the same as last year and it was confirmed that this is a 65% drop since 2012.

RESOLVED: That the Committee noted the contents of the external auditor's Audit Strategy Memorandum.

## **ASC 45 INTERNAL AUDIT UPDATE**

The Committee received a report on the work of the Internal Audit and Risk Service.

It was agreed at the last meeting that the appointment of external auditors would be through a sector led body, removing the need to set up an Independent Auditor Panel. This has been agreed by Council and will be presented to Council for approval on 8 March 2017.

An invest to save budget option was agreed by Council, this will see the creation of two dedicated Counter Fraud Officer posts from April 2017. Proactive anti-fraud and corruption work will target areas which have been identified nationally as being at a high risk of fraud. There will be other work undertaken, in particular increased awareness training throughout the Council and the drafting of a Council Counter Fraud and Corruption Strategy.

The National Fraud Initiative (NFI) matches electronic data between public and private bodies to prevent and detect fraud. 15 data sets have been submitted in October 2016, this has resulted in over 1,000 being prioritised for investigation.

It was agreed that the awareness training should be made available to all Committee members. It was also agreed that a report would be brought back to Committee on the progress of the Counter Fraud Officer posts.

RESOLVED: (i) That fraud awareness training be rolled out to all Committee members and that progress reports on the Counter Fraud Officer posts be brought back to Committee.

(ii) That the Committee noted the contents of the report.

## **ASC 46 ANNUAL GOVERNANCE STATEMENT 2016/17 - ASSURANCE FRAMEWORK**

A report was presented to Committee on the work to be undertaken to produce the Annual Governance Statement (AGS) for 2016/17, this demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

The assurance framework supports the AGS and will demonstrate four aspects;

- Identify what we want assurance on
- Assess what are the sources of assurance

- Review how is the assurance validated
- Act – what are the opportunities to improve

A corporate group, chaired by the Strategic Director, Corporate Resources will form a view on the adequacy of the Council’s internal control and governance arrangements.

It was suggested that the responsibility of the independent members should be included within the AGS. It was agreed that this would be address through the Code of Governance.

RESOLVED: That the Committee agreed the assurance framework and agreed the inclusion of independent member’s responsibilities within the Code of Governance.

**ASC 47 TREASURY POLICY STATEMENT AND TREASURY STRATEGY 2017/18 TO 2019/20**

The Committee received the proposed Treasury Policy Statement and Treasury Strategy for 2017/18 to 2019/20, prior to consideration by Cabinet on 14 March 2017.

In terms of the Treasury Strategy, it is unlikely that interest rates will increase before June 2019, this will allow an opportunity to take out short term loans with lower interest. The Strategy therefore indicates utilising these loans before rates increase, thus minimising borrowing costs going forward.

In relation to investment it was noted that there is a planned move away from AA-rated banks, therefore more scope in terms of depositing money. The maximum amount will increase from £5 to £10million, the risks have been found to be acceptable.

It was reported that debt rescheduling will continue to be looked at, however it is not currently worthwhile.

It was questioned what the rationale was as to why an external investment fund manager has not been appointed. It was confirmed that the expertise already lies within the team, with some staff treasury trained, therefore it is not necessary to appoint a manager. It was acknowledged that if there was a specific gap officers would be in contact with Capita.

RESOLVED: That the Committee reviewed the recommendations on the Treasury Policy and the Treasury Strategy and agreed its submission to Cabinet.

**Chair.....**