

## *AUDIT AND STANDARDS COMMITTEE AGENDA*

Thursday, 25 April 2024 at 4.00 pm in the Blaydon Room

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From the Chief Executive, Sheena Ramsey

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Item	Business
1	<b>Apologies for Absence</b>
2	<b>Minutes</b>  The Committee is asked to approve, as a correct record, the minutes of the meeting held on
3	<b>Declarations of Interest</b>  Members of the Committee are invited to declare interests in any agenda items.
4	<b>Audit Strategy Memorandum 2023 - 2024 (Pages 3 - 44)</b>  Report of the Strategic Director, Resources and Digital
5	<b>Audit Annual Report 2021-22 and 2022-23 Combined (Pages 45 - 74)</b>  Report of the Strategic Director, Resources and Digital
6	<b>Internal Audit Charter, Strategy Statement and Annual Plan 2024-25 (Pages 75 - 104)</b>  Report of Strategic Director, Resources and Digital
7	<b>Review of Corporate Risk Management Policy (Pages 105 - 138)</b>  Report of Strategic Director, Resources and Digital
8	<b>Corporate Risk Management 2023/24 - Quarter 4 Update (Pages 139 - 142)</b>  Report of the Strategic Director, Resources and Digital
9	<b>Local Code of Governance (Pages 143 - 168)</b>  Report of Strategic Director, Corporate Services and Governance
10	<b>Exclusion of the Press and Public</b>  The Committee may wish to exclude the press and public from the meeting during consideration of the exempt agenda in accordance with paragraphs [insert] of Schedule 12A to the Local Government Act 1972.

11 **Internal Audit Plan 2023/24 - Quarterly Monitoring Report to 31 March 2024**  
(Pages 169 - 178)

Report of the Strategic Director, Resources and Digital

12 **Date and time of next meeting**

Thursday 18<sup>th</sup> June 2024. Time tbc.

**Title of Report:**      **External Auditor: Audit Strategy Memorandum Year Ending 31 March 2024**

**Report of:**            **Darren Collins, Strategic Director, Resources and Digital**

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### **Purpose of the Report**

- 1      This report requests that the Committee note the external auditor's Audit Strategy Memorandum for the year ended 31 March 2024.

### **Background**

- 2      The report sets out:
  - Engagement and responsibilities summary
  - The audit engagement team
  - Audit scope, approach and timeline
  - Significant risks and other key judgements areas
  - Value for Money
  - Fees for audit and other services
  - Commitment to independence
  - Materiality and misstatements
- 3      The report is attached in Appendix A.

### **Recommendation**

- 4      The Committee is requested to note the contents of the external auditor's Audit Strategy Memorandum.

<b>Contact name: Craig Oakes Ext - 3711</b>
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# Audit Strategy Memorandum

Gateshead Metropolitan Borough Council

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Year ending 31 March 2024



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**A** Appendix A – Key communication points

Appendix B - Current year updates, forthcoming accounting and other issues

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

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This document is to be regarded as confidential to Gateshead Metropolitan Borough Council. It has been prepared for the sole use of the Audit and Standards Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Standards Committee Members  
Gateshead Metropolitan Borough Council  
Gateshead Council, Civic Centre  
Regent Street  
Gateshead  
NE8 1HH

17 April 2024

Dear Members

## Audit Strategy Memorandum – Year ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Gateshead Metropolitan Borough Council for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Gateshead Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0191 383 6331.

Yours faithfully

Signed:   
James Collins (Apr 17, 2024 13:39 GMT+1)

James Collins  
Mazars LLP

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# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Gateshead Metropolitan Borough Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Council's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Audit and Standards Committee in due course.

# 1. Engagement and responsibilities summary

## Overview engagement responsibilities

### Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Standards Committee, as Those Charged With Governance, of their responsibilities.

The Strategic Director, Resources and Digital is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Strategic Director, Resources and Digital's use of the going concern basis of accounting in the preparation of the financial statements.

### Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gateshead Metropolitan Borough Council's internal control.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal Audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

### Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

# 02

Section 02:

**Your audit engagement team**

# 2. Your audit engagement team

Below is your audit engagement team and their contact details.

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**James Collins**  
**Director and Audit Engagement Lead**  
james.collins@mazars.co.uk  
07881 283 527

**Joanne Greener\***  
**Senior Audit Manager**  
[joanne.greener@mazars.co.uk](mailto:joanne.greener@mazars.co.uk)  
07881 252 444

**David Hasnip**  
**Assistant Manager and Team Leader**  
david.hasnip@mazars.co.uk  
07387 242 038

\* Campbell Dearden, Senior Audit Manager, will be manager until Joanne Greener returns from maternity leave in early summer.

# 03

Section 03:

**Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Risk-based Approach



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# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

# 3. Audit scope, approach and timeline

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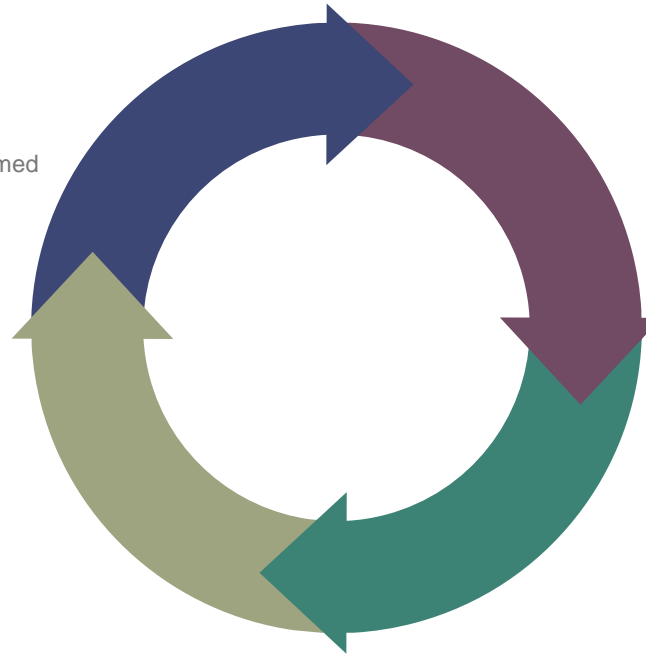
## Planning and Risk Assessment February - March 2024

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Risk identification and assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Completion September 2024\*

- Final review and disclosure checklist of financial statements
- Final Director and Engagement Quality Control Reviewer review
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee and Accounts Committee
- Final financial statements review by our technical team
- Reviewing subsequent events
- Signing the independent auditor's report

\*subject to timing of receipt of the Pension Fund auditor assurance



## Interim March - April 2024

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork July - September 2024

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Financial statements review by our technical team
- Clearance meeting



### 3. Audit scope, approach and timeline

#### Management’s and use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit net liability	AON Hewitt (Actuary)	We use the National Audit Office’s (NAO) consulting actuary (PWC) to provide us with assurance over the main assumptions used by your Actuary.
Property, plant and equipment	Jones Lang La Salle	We will take into account relevant information which is available from third parties. If required, we can engage our own internal valuation expert; this would be dependent on any specific valuation issues arising during the audit.
Financial instrument disclosures	Link Asset Services	We do not typically engage an audit expert to assess the reasonableness for your expert’s financial instrument valuation estimates. Where this is required we will engage our own internal experts.
Share Waste Private Finance Initiative (PFI) Facility	Hilco Appraisal Limited	We will consider the valuation and will engage our own internal valuation expert if required.
District Energy Centre (DEC)	Hilco Appraisal Limited	No expert assessed as being required.
Valuation of Newcastle Airport	PWC	We will consider the valuation and will engage our own internal valuation expert if required.

#### Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. There are no material service organisations to consider for this Council.

# 04

Section 04:

**Significant risks and other key judgement areas**

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# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

### Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

### Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

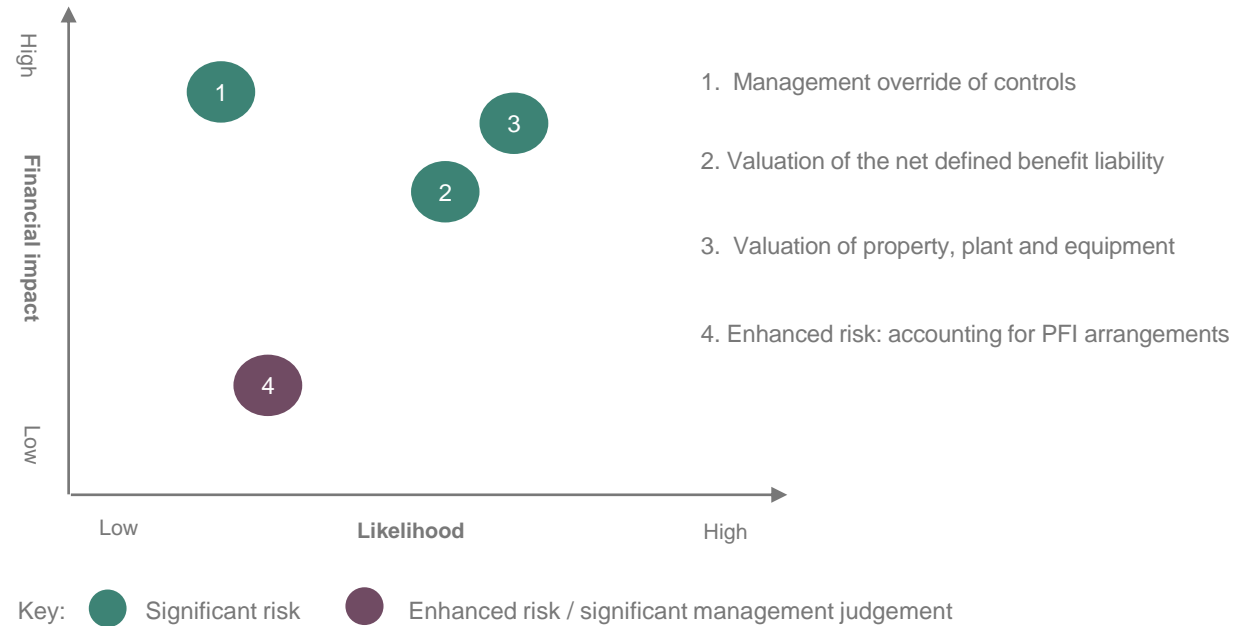
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

### Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

### Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit and Standards Committee and Accounts Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 20	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

## 4. Significant risks and other key judgement areas

### Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b> <b>£19.72m (2022/23 accounts)</b></p> <p>The financial statements contain material pension entries in respect of the retirement benefits.</p> <p>The calculation of the net pensions liability, made up of the gross pension assets (£1,506.35m) and gross pension liabilities (£1,526.07m) can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> <li>critically evaluate the Council's arrangements for making estimates in relation to pension entries within the financial statements;</li> <li>challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office;</li> <li>critically assess the competency, objectivity and independence of the Actuary;</li> <li>liaise with the auditors of the Pension Fund to gain assurance that the overall procedures in place at the Pension Fund are operating effectively;</li> <li>review summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets;</li> <li>review the actuarial allocation of Pension Fund assets to the Council by the Actuary, including comparing the Council's share of the assets to other corroborative information; and</li> <li>agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.</li> </ul>

## 4. Significant risks and other key judgement areas

### Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Valuation of property, plant and equipment £1,644m (2022/23 draft accounts)</b></p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (including the Council's PFI shared waste facility).</p> <p>The Council employs valuation experts to provide information on valuations, however, there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> <li>critically assess the Council's arrangements for ensuring that property, plant and equipment valuations are reasonable and not materially misstated;</li> <li>critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuers, including the PFI shared waste facility;</li> <li>consider the competence, skills and experience of the Valuers and the instructions issued to the Valuers;</li> <li>substantively test a sample of revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated;</li> <li>liaise with the Council's external valuation expert, Jones Lang La Salle, to understand their approach;</li> <li>where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.</li> </ul>

# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
4	<p><b>Enhanced risk: accounting for PFI arrangements</b></p> <p>The Council has two PFI arrangements, covering:</p> <ul style="list-style-type: none"> <li>• schools; and</li> <li>• a shared waste facility.</li> </ul> <p>The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> <li>• review the Council's adopted approach for accounting for its PFI arrangements;</li> <li>• review any changes from prior years to the long term financial models used;</li> <li>• critically review the assumptions made by management; and</li> <li>• assess the completeness and accuracy of disclosures.</li> </ul>

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# 4. Significant risks and other key judgement areas

## Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether Audit and Standards Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?

We plan to do this by formal letter to the Audit and Standards Committee which we will obtain prior to completing our audit.

## Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to Audit and Standards Committee and Accounts Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

## Internal audit function

We do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.



# 05

Section 05:

**Value for money arrangements**

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# 5. Value for money arrangements

## The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

### Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officers and Members.

### Additional risk-based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

### Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- significant weaknesses identified and our recommendations for improvement; and
- emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

## 5. Value for money arrangements

### Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, work completed to-date has not identified any risks of significant weaknesses in arrangements.

We will report any identified risks to the Audit and Standards Committee and Accounts Committee, if any arise, as part of our continuous risk assessment.

# 06

Section 06:

## **Fees for audit and other services**

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# 6. Fees for audit and other services

## Fees for audit and other services

Our fees (exclusive of VAT) for the audit of Gateshead Metropolitan Borough Council for the year ended 31 March 2024, and for any non-audit assurance services or other non-audit services provided by Mazars LLP in the period, are outlined below.

## Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£354,558	£122,325*

\* The fee above does not include £6,361 inflation adjustment which PSAA is contributing from its surplus.

\*\* The fee shown for 2022/23 represents the scale fee as set by PSAA but does not include any variations for additional work carried out. The final fee for the 2022/23 audit has not yet been agreed as work to complete the audit remains ongoing.

## Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we anticipate being separately engaged by the Council to carry out additional work as set out in the table below. At this time, we have not agreed engagement for this work and consequently the fees for 2023/24.

Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Housing Benefits Subsidy Assurance	£TBC	£11,935
Teachers' Pensions	£TBC	£4,500
Pooling of Housing Capital Receipts Return	£TBC	£5,000

# 07

Section 07:

**Our commitment to independence**

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## 7. Our commitment to independence



### Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.



### Compliance

We are not aware of any relationship between Mazars and Gateshead Metropolitan Borough Council that, in our professional judgement, may reasonably be thought to impair our independence.  
We are independent of Gateshead Metropolitan Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.



### Non-audit and Audit fees

We have set out a summary any non-audit services provided by Mazars (with related fees) to Gateshead Metropolitan Borough Council in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

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Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with James Collins in the first instance.

Prior to the provision of any non-audit services, James Collins will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

# 7. Our commitment to independence

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report. Principal threats to our independence and identified associated safeguards in relation to the non-audit work listed in section 6 are summarised below.

Area	Perceived threat	Safeguards and procedures
Assurance services: Housing Benefits Subsidy Assurance, Housing Capital Receipts return and Teachers' Pension return (if engaged)	Self Review	No threat identified. Neither engagement result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as neither engagement require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as neither engagement require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

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# 08

Section 08:

## **Materiality and misstatements**

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# 8. Materiality and misstatements

## Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

## Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit and Standards Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

# 8. Materiality and misstatements

## Materiality (continued)

We consider that 'gross expenditure at the surplus/deficit on provision of services level' is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of 'gross expenditure at the surplus/deficit on provision of services level' for the financial statements.

As set out in the tables alongside, based on the audited financial statements 2022/23, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £14.742m (£14.742m in the prior year), and performance materiality to be in the region of £11.057m (£11.057m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£14,742	£14,742
Performance materiality	£11,057	£11,057
Clearly trivial	£442	£442
Specific materiality: Senior Officers' remuneration (10% of total)	£113	£113
Specific materiality: Exit packages (individual packages above £50k)	£50	£50

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## Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit and Standards Committee, Accounts Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £0.442m, based on 3% of overall materiality. If you have any queries about this, please raise these with James Collins.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to Audit and Standards Committee and Accounts Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

## Reporting

In summary, we will categorise and report misstatements above the reporting threshold to Audit and Standards Committee and Accounts Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



# Appendices

A: Key communication points

B: Current year updates, forthcoming accounting & other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

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# Appendix A : Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>• enquiries of Audit and Standards Committee and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at the Audit and Standards Committee and Accounts Committee Audit Planning and Clearance meetings

# Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Council or Audit and Standards Committee and Accounts Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>

# Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit and Standards Committee and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit and Standards Committee and Accounts Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Standards Committee and Accounts Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of valuation methods</p>	<p>Audit Completion Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> <li>• Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership</li> <li>• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities</li> <li>• Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.)</li> <li>• Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality</li> <li>• Evaluate responses to identify and remediation process / control gaps</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website <a href="#">here</a>.</p>	<p>Audit strategy memorandum</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>

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# Appendix B: Current year updates, forthcoming accounting & other issues

## Applicable for IFRS Reporters

### Current and forthcoming accounting issue

#### New standards and amendments

##### Effective for accounting periods beginning on or after 1 January 2023

###### **Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)**

- The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

###### **Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)**

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

###### **IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)**

- IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

###### **Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments* (Issued December 2021)**

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 *Insurance Contracts* has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

# Appendix B: Current year updates, forthcoming accounting & other issues

## Applicable for IFRS Reporters

### Current and forthcoming accounting issue (continued)

#### New standards and amendments (continued)

##### Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

#### Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

- The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

#### Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

- The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

#### Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

- The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

# Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

## **CIPFA/LASAAC consultation on short-term measures to aid the recovery of local authority reporting and audit**

This [consultation](#) proposes amendments to the Code of Practice on Local Authority Accounting (the Accounting Code), applicable only to relevant bodies in England. The proposals are to:

- Extend the current temporary solution for accounting for infrastructure assets beyond 2024/25;
- Remove some disclosure requirements relating to a body's net defined benefit liabilities / assets; and
- Simplify the measurement for operational property, plant and equipment in specific circumstances up to 2025/26.

## **DLUHC consultation on addressing the local audit backlog in England**

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and

- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

## **NAO consultation on draft amendments to the Code of Audit Practice**

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

## James Collins, Director

### Mazars

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26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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**Title of Report:** External Auditor: Annual Report Years Ended 31 March 2022 and 31 March 2023

**Report of:** Darren Collins, Strategic Director, Resources and Digital

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### **Purpose of the Report**

- 1 This report requests that the Committee note the external auditor's Annual report for the years ended 31 March 2022 and 31 March 2023.

### **Background**

- 2 In accordance with National Audit Office (NAO) guidance, Mazars have issued a combined report covering the years ended 31 March 2022 and 31 March 2023.
- 3 The external auditor's responsibilities are defined by the Local Audit and Accountability Act 2014, and the Code of Audit Practice issued by the NAO. The report sets out:
  - Opinion on the financial statements
  - Value for money (VFM) arrangements
  - Wider Reporting Responsibilities
- 4 The report is attached in Appendix A.

### **Recommendation**

- 5 The Committee is requested to note the contents of the external auditor's Annual report for years ended 31 March 2022 and 31 March 2023.

<b>Contact name: Craig Oakes Ext - 3711</b>
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# Auditor's Annual Report

Gateshead Metropolitan Borough Council  
- years ended 31 March 2022 and 31  
March 2023 **DRAFT**

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April 2024



# Contents

01 Introduction

02 Audit of the financial statements

03 Commentary on value for money arrangements

04 Other reporting responsibilities

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## Appendix

A. Further information on our audit of the financial statements

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Gateshead Metropolitan Borough Council ('the Council') for the year ended 31 March 2023 and 31 March 2022. In accordance with Section A of the National Audit Office's Supplementary Guidance Note 02, we are issuing a combined report covering the years ended 31 March 2023 and 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

We issued our audit reports for 2021/22 on 31 October 2023 and for 2022/23 on 2 February 2024. Our opinions on the financial statements were unqualified.



### Value for money (VFM) arrangements

In our audit reports for 2022/23 and 2021/22, we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting.

Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 October 2023 for 2021/22 and on 17 April 2024 for 2022/23.

# 02

Section 02:

## **Audit of the financial statements**

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## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council and Group's financial position as at 31 March 2022 and 31 March 2023 and of its financial performance for the years then ended.

Our audit reports, issued on 31 October 2023 and 2 February 2024, gave unqualified opinions on the financial statements for the years ended 31 March 2022 and 31 March 2023.

### Qualitative aspects of the Council's accounting practices

Additional work has been carried out in 2021/22 in respect of the Council's accounting practices in relation to infrastructure assets, following issues highlighted nationally that have been relevant for all highway authorities. The Council undertook additional work to analyse their infrastructure assets in early 2023; we critically reviewed as part of our audit work.

Additional work was also required in 2021/22, due to the impact of accounting for the Council's Arm's Length Management Organisation (The Gateshead Housing Company) coming back in house from 1 April 2021.

In addition, due to the elapsed time of the 2021/22 audit work, additional work was required by the Council, as the pensions triennial valuation was completed, which required a further update to the 2021/22 statement of accounts.

### Significant difficulties during the audit

There were no significant difficulties during the audit, over and above the national issues, impacting on most local government bodies, leading to delays i.e. the national infrastructure issue and the impact of the elapsed time, leading to further amendments being required to the statement of accounts, when the pensions triennial valuation was completed.

### Internal control recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

Our audit work did not identify any significant (high priority) recommendations in relation to internal controls.

# 03

Section 03:

**Commentary on VFM arrangements**

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# 3. Commentary on VFM arrangements

## Overall summary

Page 54



# 3. VFM arrangements – Overall summary

## Approach to value for money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services.



**Governance** - how the Council ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness** - how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We did not identify a risk of significant weakness in the Council's arrangements for 2021/22 and 2022/23.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria.

# 3. VFM arrangements – overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see page 13
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No



# 3. Commentary on VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Financial Sustainability reporting criteria

### How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Medium-Term Financial Strategy (MTFS) includes financial projections analysis and context that supports the Council's policy approach 'Making Gateshead a Place Where Everyone Thrives'. The key principles set out in the MTFS provides the financial planning framework to inform the allocation of resources within the capital programme.

The Council's capital investment plans are set out in the capital strategy and programme, with the latest approved programme covering the period 2024/25 and 2028/29.

Quarterly reports are presented to the Cabinet throughout the year, underpinned by budget monitoring within each portfolio and service and reporting to the Corporate Management Team. The quarterly reports provide a clear summary of the projected outturn and the actuals, along with supporting narrative to explain any significant changes. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report.

The Council has a strong track record of delivering its budget over the last decade, despite the continued pressures of funding reductions and delivery of savings, reporting an underspend of £3.4m for 2022/23 and £0.4 for 2021/22. The Council's quarterly reports clearly highlight the continued financial pressures and the need for robust budget monitoring which is crucial to its financial sustainability.

Our work in previous years confirmed the Council has robust Medium Term Financial Strategy arrangements. Our review of minutes and supporting papers has confirmed MTFS arrangements have remained in place in 2023/24 and to date, including consideration of the latest MTFS covering 2024/25 – 2028/29.

### How the Council plans to bridge its funding gaps and identifies achievable savings

The latest Budget and Council Tax Report (February 2024) set a balanced budget for 2024/25 that includes almost £15.9m of savings and uses over £6.8m of reserves to help address the funding gap. Despite using reserves, the Council estimates it will need to make savings of approximately £49.5m over the next five years.

Several years ago, the budget approach was changed to a three-year approach, in recognition of the scale of the challenge to deliver balanced budgets. This has subsequently been increased to a five-year approach. The annual budget savings cycle is a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to Services and consider consultation outcomes.

For 2023/24, savings of £13.1 m are planned and as at quarter three, £12.4m have been reported as being delivered. For 2024/25, the Council has built in savings of £15.9m to the budget.

The Council is forecasting a £0.6m underspend position for 2023/24 as of January 2024.

### How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's MTFS provides a framework with the express objective of achieving a sustainable financial position over the medium-term and which is also aligned to its strategic *Thrive* priorities. The strategic approach of 'Making Gateshead a Place where Everybody Thrives' provides the framework for delivery of the Council's *Thrive* priorities and the Health and Wellbeing Strategy, using the three pillars of its strategic vision:

- Economic strategy;
- Housing Strategy; and
- Investment Strategy.

We confirmed the MTFS was based on reasonable assumptions available at the time of approving the Plan. The MTFS is regularly reviewed, including the main assumptions, and regularly reported including where changes in assumptions impact on the forecast financial position.

### How the Council ensures that its financial plan is consistent with other plans

The Council's MTFS sets out the financial context for the Council's resource allocation process and budget setting. Given the on-going financial pressures, the Council recognises that its budget approach needs to be more clearly linked to the hierarchy of delivering on *Thrive* priorities through the Health and Wellbeing Strategy and the Economic, Housing and Investment Strategies.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

The Council's Performance Management Framework aims to support the Council's strategy by aligning performance with the overall approach to the budget to support financial sustainability and ensure that resources are deployed on the outcomes for making Gateshead a Place Where Everyone Thrives.

As part of ensuring the consistency of the MTFS and annual budget with other plans, significant consultation is undertaken on the budget, both with internal and external stakeholders.

In addition, the Council's budget planning framework is supported by the development of integrated impact assessments (IIAs) for draft budget proposals.

### How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

As part of the annual budget report setting, the Council's s151 officer sets out his assessment of the adequacy of reserves and the robustness of budget estimates. Appropriate risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indicators and the robustness of inflationary estimates.

This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves.

**Earmarked reserves:** as at 31 March 2023 and 31 March 2022 earmarked reserves were £74.7m and £84.6m respectively. These include the following reserves are being used to manage financial pressures and support the MTFS:

- Budget Sustainability Reserve of £36.7m (£20.0m as at 31 March 2022);
- Financial Risk and Resilience Reserve of £19.2m (£9.4m as at 31 March 2022); and
- Thrive Reserve of £7.5m (£8.4m as at 31 March 2022).

The above budget reserves are projected to be used by 31 March 2027. Once used, this will leave the Council, assuming no replenishment, with earmarked reserves of £11.3m. The latest MTFS includes plans for the Council to replenish earmarked reserves from 2026/27.

Whilst earmarked reserves are just that – earmarked for a specific purpose rather than being available to support general pressures, the Council's earmarked reserves are amongst the lowest in the North East. The Council is well aware that the use of reserves to support the budget is not sustainable and we have noted this point is clearly highlighted in the s151 officer's financial reporting.

We recommend that the Council more explicitly reports the level of earmarked reserves at the end of the MTFS five-year period as part of its annual update, to facilitate decision-making.

**General Fund balance:** the Council also manages risks to its financial resilience via maintaining a general fund balance. The Council's policy for the level of this balance is set out in the MTFS annually, along with the s151 officer's assessment. For 2021/22, the Council reduced its general fund balance from a minimum of 5% of its net revenue budget to a minimum of 3%; this represented a decrease from £13.9m to £8.5m. For the year ended 31 March 2023, the Council's general fund balance increased to £11.9m.

In line with good practice, the Council prepares and takes a formal report to the Audit and Standards Committee on whether the 'going concern' assumption is appropriate. In this report, the Council clearly sets out:

*"that it will be difficult to continue to deliver substantial savings without significant changes in the way we deliver services and, therefore, reserves have been maintained to assist transition and mitigate future risk. Reserve levels and use will be kept under review and reported to Cabinet".*

### Other Recommendations Relating to Non-Significant Weaknesses

R1	We recommend that the Council more explicitly reports the level of earmarked reserves at the end of the MTFS five-year period as part of its annual update, to facilitate decision-making.
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# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Governance reporting criteria

### How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has approved and adopted a code of corporate governance and it continually reviews and improves its Governance Framework. Its overall arrangements are set out in its Annual Governance Statement. As part of our audit procedures, we considered the Annual Governance Statements for 2021/22 and 2022/23 and whether they were consistent with our knowledge of the Council, with no significant issues identified.

Feeding into the Annual Governance Statement, the Council obtains annual self-assessments from Cabinet Members and also service directors as to the effectiveness of the Council's corporate governance arrangements.

Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks. The Audit and Standards Committee receives quarterly reports on risk management and takes appropriate action to ensure that corporate business risks are being actively managed; the Committee also receives the annual corporate risk management report and agrees the effectiveness of the Council's risk management arrangements.

We confirmed that the Audit and Standards Committee received regular updates on the Audit Plan. Internal Audit reviews highlight weaknesses and recommends actions when required to strengthen processes or procedures. These are regularly reported to Audit and Standards Committee which holds management to account where weaknesses are identified. The Audit and Standards Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Audit and Standards Committee challenges management if recommendations are not implemented within the agreed timeframe.

The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which was incorporated in the Annual Internal Audit Report to the Audit and Standards Committee in June 2022 and 2023. A review of the effectiveness of the Council's Internal Audit function was undertaken in 2023 and reported to the June 2023 Audit and Standards Committee; this review concluded that the system of internal audit was effective.

The Annual Risk Management Report is also presented to the Audit and Standards Committee in June.

In addition, an Annual Report on Counter Fraud Arrangements is presented to the Audit and Standards Committee setting out arrangements in place and examples of work carried out to counter fraud. We observed that the Council has a counter fraud response and strategy in place which includes fraud governance and arrangements to prevent, detect and pursue fraud.

### How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances.

We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall, the Council is aware of the financial pressure it faces. We confirmed that scenario plans are in place to identify the potential financial impact of risks occurring.

### How the Council ensures effective processes and systems are in place to ensure budgetary control

As set out in the 'financial sustainability' section, the Council takes quarterly budget monitoring reports to Cabinet.

### How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

We have reviewed Council reports and minutes throughout year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council publishes on its website a notice of key decisions. This includes officer decisions under the Officer Scheme of Delegations.

Overview and Scrutiny meetings provide an opportunity to challenge decisions. The Corporate Resources Overview and Scrutiny Committee is in place to oversee and coordinate the work and our work identified no matters that indicate a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

The Council's own balanced scorecard summary for its organisational health provides a useful overview of how the Council is performing. The scorecard summary taken to the January 2024 summarises the organisational healthcheck as follows:

*“cost-of-living challenges, high interest rates and economic climate are impacting many residents and businesses. Although the % rate of collection [of council tax] has fell, in cash terms we have collected more as have an extra £7m in council tax to collect in the current financial vs 2022-23. Residents who received council tax support saw their council bills reduced by £50 during 2022-23 but following a reduction in government funding this amount reduced to £25 in 2023-24 which means that residents with the lowest incomes now have more to pay”.*

### How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution is reviewed at least annually and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

Supporting the Constitution are codes of conduct for Members and officers.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Statement of Accounts records material related party transactions as well of senior officer pay and Member allowances.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards. Contract registers are available on the Council website. The contract procurement strategy has been recently revised.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy is approved ahead of each financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a weakness in arrangements.

The Audit and Standards Committee is responsible for promote and maintain high standards of conduct by councillors and co-opted members, as well as monitoring the operation of the Members' Code of Conduct.

### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Risks of significant weaknesses in arrangements

We found arrangements were consistent in 2021/22 and 2022/23 and we identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a corporate suite of strategic performance indicators to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. The Senior Management Group Services and Performance plays a key role in monitoring the Performance Framework before reports are presented to Overview and Scrutiny Committees and Cabinet on a six-monthly basis.

A key message of the Council's **Performance Management and Improvement Framework (PMIF)** is how every employee and Councillor contributes to the *Thrive* agenda and, therefore, this framework.

The PMIF is based on the six policy objectives of the Health and Wellbeing Strategy and a Balanced Scorecard that demonstrates performance against 'organisational health'. It is informed by qualitative and quantitative assessment to inform policy and resource decisions. For each policy objective, there is a summary of key performance indicators; this is then followed by a one-page analysis providing valuable context.

The Council recognises the framework is an area of on-going development; in particular, recognising the need to align the PMIF to the budget approach.

### How the Council evaluates the services it provides to assess performance and identify areas for improvement

Alongside the performance framework in place, the Council considers the output from regulators to evaluation performance and identify areas for improvement. The PMIF includes a useful summary of external assessments, which includes the Care and Quality Commission (CQC), Ofsted, the Regulator of Social Housing and also external partners.

#### Children's Services

Children's Services was last inspected by the CQC was in 2019, with the Council being given a 'good' rating.

The Council also had an **Ofsted focused visit for Children's Services in October 2021**. This visit evaluated

the quality of help and protection provided to vulnerable children and their families in the front door integrated referral team (IRT) and in the assessment and intervention team as well as appraisal of the quality and impact of the Council's performance management and audit arrangements. As this was a focused visit, there is no overall rating provided. The Ofsted letter of October 2021 was very positive, highlighting a few areas for improvement alongside setting out examples of good practice.

The Council also had a **Special Educational Needs and/or Disabilities (SEND) inspection** in April 2023 by CQC and Ofsted; this resulted in an action plan the Council had to produce alongside the local Integrated Care Board.

#### Adult social care and restructuring

From April 2023, the Children, Adults and Families Group was split into two new service groups:

- Integrated Adults' and Social Care Services; and
- Children's Social Care and Lifelong Learning.

The separation of the Strategic Director post into two strategic roles was to reflect the criticality of adult social care and support the inspection regime which will be in place in 2023 in respect of adult care. Unlike children's services, this area has not been subject to external inspection for the past eleven years; however, such external scrutiny will be introduced to reflect that in place in Children's Services.

The Council is preparing for the new inspection regime via considering themes arising from the pilot inspections undertaken to date. The Council has also carried out a self-assessment and submitted a return for a peer review in March 2024, which will help it further assess its arrangements.

The Council, NHS and voluntary sector partners are changing the way they will support communities across Gateshead by partnering with the National Development Team for Inclusion (NDTi) network as part of a three-year change programme to introduce Community Led Support.



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

### Housing

Housing services provided by the Council's Arm's Length Management Organisation, The Gateshead Housing Company, were brought back in-house from 1 April 2021.

The Regulator of Social Housing had previously issued a notice of a breach in the Home Standard; this was withdrawn in December 2021 and the Council continues to make progress in developing its housing arrangements.

### How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has arrangements in place for the consistent management of partnerships via a Corporate Partnership Register, with risk assessments carried out for the most significant partnerships.

The Council has four Local Authority Trading Companies (LATC) that it wholly owns for the purposes of trading with the private sector and individuals where there is a dominant commercial purpose. These are:

- Energy Services Company (GEC) (Gateshead Energy Holdings Limited and Gateshead Energy Company Limited);
- Regent Funeral Services (RFS);
- Gateshead Trading Company (GTC); and
- Gateshead Quays Hotel Company Limited – this is not due to trade until the hotels open.

The Council's Medium-Term Financial Strategy sets out the need for income generation to help reduce the funding gap the Council faces and ensure that resource is available to fund Council policy priorities.

The companies support the delivery of the Council's priorities through their activities. This includes GEC supporting the Climate Change Emergency and tackling fuel poverty through the provision of lower cost, lower carbon energy. RFS provides funeral services to local residents, while GTC is delivering housing including affordable homes in Gateshead as well as providing employment support to local residents.

Annual and mid-year reports are presented to Overview and Scrutiny Committee and Cabinet to ensure there is appropriate oversight of the Council companies in their capacity as shareholder. The accounts of the Companies are subject to annual external audit, and Internal Audit review all the companies' governance and control arrangements on a three-year cycle.

### How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

The Council's partnership arrangements are far-reaching, from the local Integrated Care System, to the Community Safety Board and working with private sector partners for development activity.

**Integrated Care System (ICS)** From 1 July 2022, responsibility for commissioning healthcare services transferred from the former Sunderland Clinical Commissioning Group (CCG) to the North East and North Cumbria Integrated Care System (ICS); this is a key partnership for the Council.

ICS have been set-up across the country, with an aim of delivering on the NHS Long Term Plan and bringing together, in a partnership, the NHS, councils, combined authorities, voluntary and partner organisations to look at new and different ways of working to improve overall health and wellbeing.

The ICS presents both opportunities as well as challenges. The challenges include maintaining a focus on the local Gateshead area, whilst working as part of a much larger partnership; this is an area which the ICS is developing, recognising that effective arrangements for focusing on each 'place' need to be in place.

**Gateshead Place Plan:** the Integrated Care System is required to publish a Forward Plan for NENC which outlines the direction of travel over the next 5 years to fulfil the aims and objectives of the NENC Integrated Care Strategy 'Better health and wellbeing for all' and wider NHS ambitions and planning requirements. 8. As part of the Forward Plan, each 'Place' was required to produce its own Plan to be consolidated into the Forward Plan. Although this is an Integrated Care Board Plan and there are specific 'must do's' that relate to the NHS wider ambitions, it is also important that it reflects ambitions at Place.

The Council's Health and Wellbeing Board has considered the Gateshead Place Plan, including how it aligns with the Council's Health and Wellbeing Strategy.

**Public Health:** from 1 April 2024, Gateshead and Newcastle Councils will both be served by the same Director of Public Health from April through a new year-long agreement between the two Councils. The Councils anticipate the dual role will lead to more effective collaboration not just between the two Councils but also with other key partners.

Reporting by the Council's Director of Public Health highlights *"the impact of the pandemic, economic instability, inflation, and the cost-of living crisis create a perfect storm, where outcomes for those most disadvantaged in Gateshead continue to get progressively worse"*.

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 October 2023 for 2021/22 and on 17 April 2024 for 2022/23.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in April 2022 and July 2023 for the years ended 31 March 2022 and 31 March 2023 respectively. For the 2021/22 and 2022/23 financial years, our fees are as follows, noting that additional fees are subject to review and approval by Public Sector Audit Appointments Limited.

**Note 1** - recurrent and non-recurrent fee variations from 2020/21 were built into the fee by PSAA for 2021/22 and 2022/23, either fully or in part

Area of work	2020/21 fees - actual	2021/22 fees - provisional	2022/23 fees - provisional
<b>Fee in respect of our work under the Code of Audit Practice</b>	<b>£100,329</b>	<b>£110,053</b>	<b>£122,325</b>
Recurrent scope changes: additional fees in respect of group financial statements and consolidation adjustments	£9,711	n/a	n/a
Recurrent scope changes: additional fees in respect of property, plant and equipment valuations due to increased regulatory requirements	£15,049	£4,967	<b>Note 1</b>
Recurrent scope changes: additional fees in respect of pensions due to increased regulatory requirements	£8,026	£9,968	<b>Note 1</b>
Inter-annual scope change: additional testing as a result of the implementation of new auditing standards: 2022/23 – ISA 315 (revised) additional risk assessment procedures. 2020/21 - ISA 540 (revised) auditing accounting estimates and related disclosures; ISA 570 (revised) going concern Range set by PSAA being up to £4,300.	£1,500	n/a	£3,917
Non-recurrent scope changes: additional work in respect of infrastructure (national issue)	n/a	£10,262	n/a
Non-recurrent scope changes: revised pensions report (two reports in 2021/22, due to the impact of the triennial valuation)	£2,007	£5,604	£5,131
Non-recurrent scope changes: additional fees in respect of group consolidation adjustments (The Gateshead Housing Company coming back in house)	n/a	<b>Note 1</b>	n/a
Non-recurrent scope changes: additional property, plant and equipment (PPE) valuations testing due to valuation of the entire portfolio of assets in 2020/21, as well as restatement of the financial statements for a material prior period error.	£8,026	n/a	n/a
Non-recurrent scope changes: PFI shared waste facility expert valuation review	£1,275	£0	£0
<b>Value for money:</b> implementation of the new approach on VFM arising from the change to the Code of Audit Practice. Range set by PSAA for a metropolitan borough council being £10,000 - £19,000.	£14,046	£11,000	£11,000
<b>Total</b>	<b>£159,969</b>	<b>£151,854</b>	<b>£142,373</b>

# 4. Other reporting responsibilities and our fees

## Fees for other work

We carried out the following work for the Council in the years ended 31 March 2022 and 2023:

Area of work	2021/22 fees	2022/23 fees
Teachers' Pensions return	£4,500	£4,500
Housing Benefits Subsidy return	£10,850	£11,935
Pooling of Housing Capital Receipts return	£4,000	£5,000

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# Appendix

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# A. Further information on our audit of the financial statements

## Significant risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
<b>Management override of controls</b>	Procedures included critical review of accounting estimates, accounting policies and testing journals.	Sufficient, appropriate assurance obtained.	Sufficient, appropriate assurance obtained.
<b>Net defined pensions liability</b>	Testing included critical review of the Actuary's assumptions and obtaining assurance from the Pension Fund auditor.	The Council obtained a revised pensions report for 2022/23, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Sufficient, appropriate assurance obtained.	The Council obtained a revised pensions report for 2021/22, due to 'actuals' being available for the asset return. The Council amended its statement of accounts for this revised pensions report. Due to the elapsed time of the audit, further material amendments were necessary as the triennial pension fund valuation was completed, providing further information on the pensions estimates. Sufficient, appropriate assurance obtained.
<b>Property, Plant and Equipment valuations</b>	Critical review of the Valuer's report and valuations.	We critically reviewed valuations as part of our substantive testing. Sufficient, appropriate assurance obtained.	We critically reviewed valuations as part of our substantive testing. Additional work was carried out in respect of the national infrastructure issue, applying to all highways authorities. Amendments were made to the Council's infrastructure assets, Sufficient, appropriate assurance obtained.
<b>Accounting for TGHC coming back in house from 1 April 2021</b>	Critical review of the accounting including presentation of comparators.	The draft accounts were prepared on the basis of partial merger accounting. We challenged the Council on this and the accounts were revised and prepared on the basis of 'transfer by absorption' principles.	Not applicable

## Enhanced risks

Risk	Summary of how risk addressed	Summary of audit conclusion – 2022/23	Summary of audit conclusion – 2021/22
<b>Accounting for PFI arrangements</b>	Critical review of the accounting for the Council's Private Finance Initiative (PFI) arrangements.	Sufficient, appropriate assurance obtained.	Sufficient, appropriate assurance obtained.

# A. Further information on our audit of the financial statements

The summary of adjusted and unadjusted misstatements for 2022/23 and 2021/22 is set out below, including misstatements reported in our 'follow-up letter'.

		Assets	Liabilities	Reserves	Income Statement
		(£'000)	(£'000)	(£'000)	(£'000)
<b>2022/23</b>					
A	Unadjusted misstatements – 2022/23	-615	4,309	0	-3,694
B	Unadjusted misstatements – prior year	-3,539	1,824	0	1,715
	<b>Unadjusted misstatements – current and prior year: 2022/23</b>	<b>-4,154</b>	<b>6,133</b>	<b>0</b>	<b>-1,979</b>
	<b>Adjusted misstatements – 2022/23</b>	<b>0</b>	<b>10,920</b>	<b>0</b>	<b>-10,920</b>
<b>2021/22</b>					
A	Unadjusted misstatements – 2021/22	-988	4,246	-792	-2,466
B	Unadjusted misstatements – prior year	-2,700	1,995	-1,010	1,715
	<b>Unadjusted misstatements – current and prior year: 2021/22</b>	<b>-3,688</b>	<b>6,241</b>	<b>-1,802</b>	<b>-751</b>
	<b>Adjusted misstatements – 2021/22 (Note 1)</b>	<b>-321</b>	<b>85,800</b>	<b>-74,812</b>	<b>-10,667</b>

**Note 1:** being the sum of amendments to the net pensions liability, because of two revised Actuary reports.



# A. Further information on our audit of the financial statements

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to [the Board and the Audit and Standards Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues	Number of issues
		– 2022/23	– 2021/22
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	0	2
<b>3 (low)</b>	In our view, internal controls should be strengthened in these additional areas when practicable.	0	1

## Summary of internal control recommendations

Priority ranking	Recommendation – 2022/23	Recommendation – 2021/22
<b>1 (high)</b>	• None	• None
<b>2 (medium)</b>	• None	<ul style="list-style-type: none"> <li>• Review of arrangements in place for estimating provisions</li> <li>• Review of working papers and quality assurance arrangements</li> </ul>
<b>3 (low)</b>	• None	<ul style="list-style-type: none"> <li>• Amendment to returns submitted by senior officers for purposes of related party disclosures</li> </ul>

We also followed-up prior year recommendations as part of each year's audit; details can be found in our Audit Completion Report, taken to the Council's Audit and Standards Committee in October 2022 and October 2023 respectively.

For 2022/23, we reported the following prior year internal control recommendations remained open as of October 2023, being:

- review of working papers and quality assurance arrangements (medium priority): remains open in respect of ensuring an analytical review is evidenced;
- review of arrangements in place for estimating provisions (medium); remains open in respect of the business rates appeals provision not being split between current and non-current provisions; and
- debtor balances (medium); remains open in respect of carried forward issue in respect of debtor balances which require writing off.

# Cameron Waddell, Partner (audit year 2021/22) James Collins, Director (audit year 2022/23)

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**Title of Report:** Internal Audit Charter, Strategy Statement and Annual Plan 2024/25

**Report of:** Darren Collins, Strategic Director, Resources and Digital

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### **Purpose of the Report**

1. The report sets out the proposed Internal Audit Charter, Strategy Statement and Annual Plan of work to be undertaken by the Internal Audit & Risk Service in 2024/25.

### **Background**

2. The terms of reference for Internal Audit are outlined in the Financial Regulations, which form part of the Council's Constitution and the Internal Audit Charter.
3. The Internal Audit & Risk 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.
4. The Strategic Director, Resources and Digital has delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations also require Councils to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*".
5. The Chief Internal Auditor manages the Internal Audit & Risk Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a systematic review and evaluation of all aspects of the internal control environment.
6. The principal objective of the Internal Audit & Risk Service is to assist service managers in delivering the priorities of the Council and its partners, through the assessment of exposure to risk and the continuous improvement of the control environment.

### **Internal Audit Charter**

7. The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS).

8. A key element of compliance with PSIAS is the periodic review and approval by the Audit and Standards Committee of an Internal Audit Charter. The Chief Internal Auditor has carried out an annual review of the Internal Audit Charter and confirmed that it continues to reflect best practice and no amendments are required.
9. The Public Sector Internal Audit Standards (PSIAS) define internal audit as:  
  
‘An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’
10. These standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
11. The Charter is a formal document that defines Internal Audit’s purpose, authority and responsibility setting out the Chief Internal Auditor’s functional reporting relationships, authorising rights of access for internal audit staff and defining the scope of internal audit activity. Final approval of the Internal Audit Charter resides with the Audit and Standards Committee.
12. The Internal Audit Charter is attached at Appendix A. It was last circulated to Committee in April 2023.

### **Basis for the Audit Plan**

13. Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). PSIAS state that the Chief Internal Auditor *“must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”*.
14. In accordance with the PSIAS, the input of senior management must be considered in this process. All Service Directors were given the opportunity to contribute towards the plan.
15. The Chief Internal Auditor forms an annual assurance opinion based on the programme of audit work as well as assurance obtained from other means. Combined assurance aims to optimise the assurance coverage obtained from management, and both internal and external assurance providers.
16. In addition to audit, the Chief Internal Auditor considers any issues identified through counter fraud and irregularities or developing systems and processes insofar as they impact on the effective operation of governance, risk management or internal controls.
17. The plan for 2024/25 also includes three dedicated Corporate Fraud posts. These officers will continue to develop and embed the Council’s Counter Fraud & Corruption Strategy as well as conducting any fraud and irregularity

investigations. Updates in relation to Counter Fraud activity will be presented biannually to the Committee.

18. The plan includes an allocation for advice and consultancy to all Services and Partnerships where appropriate. This is an increasing area of focus given the amount of change ongoing across the Council and its partners. Time is allocated to support developing systems, ensuring early engagement and audit support across the Council.
19. Rather than a traditional cyclical-based approach, the plan focuses on the main risks to the Council. It provides a balanced approach to traditional compliance work with advisory work as a catalyst for service improvement and to sharpen focus on emerging risks. The plan is flexible and is reviewed and adjusted throughout the year as necessary in response to changes in policies, systems, processes, risks and controls across the Council.
20. The Audit Strategy Statement is attached at Appendix B and the Annual Plan for 2024/25 is attached at Appendix C. The approach to the plan is that it is flexible, supportive, challenging, prioritised and timely, all characteristics endorsed by PSIAS which ensures the plan maintains focus on emerging risks and that assurance is continually focused on the most important risks to the Council, retaining flexibility to reprioritise assurance activities as required.

### **Recommendations**

21. The Committee is asked to:
  - Note the report and the opinion that the Internal Audit Charter continues to comply with Public Sector Internal Audit Standards;
  - Agree the Audit Strategy Statement and the Annual Plan of work to be provided by the Internal Audit & Risk Service for 2024/25; and
  - Agree to receive quarterly monitoring reports showing progress made against the plan.

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**Internal Audit Service**

**Internal Audit Charter 2024/25**

**1. Introduction**

- 1.1 The Chief Internal Auditor is responsible for effectively managing the activity of the Internal Audit Service in accordance with this Charter. This Charter has been written in accordance with UK Public Sector Internal Audit Standards (PSIAS) and is the formal document that defines internal audit's purpose, authority and responsibility. The Charter also establishes internal audit's position within the organisation, including access to records, personnel and physical property.

**2. Statutory Basis**

- 2.1 Internal Audit is statutory service in the context of the Accounts and Audit Regulations (England) 2015, which states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN) constitute proper practices to satisfy the requirements for larger relevant local government bodies set out in the Accounts and Audit Regulations 2015. The Charter has been reviewed to ensure it remains compliant with these requirements.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of these affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include 'compliance with the statutory requirements for accounts and internal audit'.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer (CFO) states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support internal audit arrangements; and

- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively.
- 2.5 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.
- 3. Definition of Internal Auditing**
- 3.1 The Council’s Internal Audit Service has adopted the mandatory definition of internal auditing as set out in the common set of PSIAS:
- “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”
- 4. Mission of Internal Audit**
- 4.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation. The Council’s Internal Audit Service has adopted the mission statement set out in the PSIAS:
- “To enhance and protect organisational values by providing risk-based and objective assurance, advice and insight.”
- 5. Core Principles for the Professional Practice of Internal Auditing**
- 5.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective in achieving its mission, all the following principles should be present and operating effectively:
- Demonstrates integrity;
  - Demonstrates competence and due professional care;
  - Is objective and free from undue influence (independent);
  - Aligns with strategies, objectives and risks of the organisation;
  - Is appropriately positioned and adequately resourced;
  - Demonstrates quality and continuous improvement;
  - Communicates effectively;
  - Provides risk-based assurance;
  - Is insightful, proactive, and future-focused; and
  - Promotes organisational improvement.



## 6. Code of Ethics

6.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for or providing a service to the Council must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body, then they must also comply with the relevant requirements of that body.

6.2 The Code of Ethics is based upon four principles relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct:

- Integrity;
- Objectivity;
- Confidentiality; and
- Competency

6.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All internal audit staff will:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and their profession;
- Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or the Council; and
- Respect and contribute to the legitimate and ethical objectives of the Council.

6.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All internal audit staff will:

- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Council;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.

6.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All internal audit staff will:

- Be prudent in the use and protection of information acquired in the course of their duties; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council.

6.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All internal audit staff will:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing; and
- Continually improve their proficiency, effectiveness and the quality of the service they deliver.

## 7. Principles of Public Life

7.1 Internal audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:

- **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends;
- **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties;
- **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit;
- **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office;
- **Openness:** Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands;
- **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest; and

- **Leadership:** Holders of public office should promote and support these principles by leadership and example.

## **8. Purpose, Authority and Responsibilities**

### **8.1 Purpose**

8.1.1 Internal Audit Service is a managerial control primarily responsible for objectively examining, evaluating and reporting upon the adequacy of the internal control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit is one of a number of assurance providers that contribute to the Council's corporate assurance framework.

8.1.2 The purpose of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner to allow the Chief Internal Auditor to provide the Council with an opinion on the level of assurance it can place upon the risk management, internal control and governance environments, and to make recommendations for continuous improvement in these areas. This opinion will be set out in the Internal Audit Annual Report to the Audit and Standards Committee and supports the Council's Annual Governance Statement which accompanies the Annual Statement of Accounts.

8.1.3 To this end the Internal Audit Service is required to review, appraise and report upon:

- The soundness, adequacy and application of accounting, financial and other operational controls;
- The extent of compliance with established policies, plans and procedures, statute and regulations;
- The extent to which the Council's assets and interests are properly accounted for and safeguarded from losses of all kinds including fraud, bribery, corruption, other offences, waste, extravagance, inefficient administration, poor value for money or other cause;
- The suitability and reliability of financial and other operational information;
- The economy, efficiency and effectiveness with which resources are utilised;
- Whether operations are being carried out as planned and objectives and goals are being met; and
- The investigation of instances of fraud, bribery, corruption and irregularities.

8.1.4 Other objectives include:

- Supporting the Section 151 Officer (Chief Finance Officer) in discharging his statutory duties for ensuring proper administration of the Council's financial affairs;

- Championing good governance by helping to improve the Council's risk management, control and governance processes by providing management with timely advice and guidance;
- Supporting the Audit and Standards Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference set out in the Council's Constitution;
- Supporting Officers and Councillors in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies;
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available;
- Helping to promote a strong counter fraud culture across the Council, through the development and effective implementation of the Council's Counter Fraud and Corruption Strategy and Anti-Money Laundering policy;
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff; and
- Be future focused and to continually add value to the organisation.

## 8.2 Authority

- 8.2.1 The Internal Audit Service is an assurance function established by the Council under the requirements of the Accounts and Audit Regulations 2015. Article 9 of the Council's Constitution outlines the role of the Audit and Standards Committee. Delegated responsibility to maintain an adequate and effective internal audit of the Council's accounting records and control systems rests with the Strategic Director, Resources and Digital as set out in the Council's Constitution (Delegations to Individual Managers, Article 13).
- 8.2.2 The scope of Internal Audit Service activity allows for unrestricted coverage of the Council's control environment, which includes all its operations, resources, services and responsibilities in relation to other bodies. The Chief Internal Auditor, in consultation with the Chair of the Audit and Standards Committee, the Strategic Director, Resources and Digital, other Strategic Directors and Service Directors will have the freedom to determine the priorities for Internal Audit Service activity.
- 8.2.3 The Chief Internal Auditor will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the Council's risk register and consultation with senior managers and the Council's External Auditor. This enables the Chief Internal Auditor to prepare a three-year risk-based plan, covering all areas of the Council and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit Service will be delivered and developed in accordance with this Charter and the Council's overall objectives.

8.2.4 Financial Regulations grant Internal Audit the authority to:

- Enter all Council premises and land at reasonable times;
- Access all records, documents, data and correspondence relating to all transactions of the Council, or unofficial funds operated by an employee as part of their duties;
- Receive all explanations as are necessary concerning any matter under examination; and
- Require any employee of the Council to produce cash, stores or any other property under their control belonging to the Council or held as part of the employee's duties.

8.2.5 Such rights of access extend beyond the Council to other bodies, including:

- Organisations to whom the Council has given grants;
- Organisations with whom the Council contracts; and
- Partner organisations in any schemes for which the Council has responsibility as the accountable body.

8.2.6 This will be affected by incorporating these audit requirements into appropriate agreements with external bodies. Where required assurances based on the work of the Internal Audit Service may be provided to such a respective body, this will take the form of a written assurance from the Chief Internal Auditor detailing the objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.

8.2.7 The main determinant of the effectiveness of the Internal Audit Service is that it is seen to be independent. To ensure this, the Internal Audit Service will operate in a framework that allows direct reporting to the Strategic Director, Resources and Digital and free and unfettered access to all senior management, the Chief Executive, Monitoring Officer and Councillors, including the Chair of the Audit and Standards Committee. The Chief Internal Auditor reports on an administrative basis to the Service Director, Financial Management.

8.2.8 For the purposes of compliance with PSIAS within the Council, the Audit and Standards Committee is designated as the "Board" and Strategic and Service Directors are designated as "Senior Management".

### 8.3 Responsibilities

8.3.1 The Internal Audit Service will perform all audit work in accordance with the PSIAS and the prescribed local procedures as outlined within the Council's Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within

them. In addition to the Annual Internal Audit Report, the Chief Internal Auditor will report progress against the annual audit plan to the Audit and Standards Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Chief Internal Auditor's Quality Assurance and Improvement Programme which assesses compliance with PSIAS.

- 8.3.2 The Internal Audit Service will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.
- 8.3.3 The existence of the Internal Audit Service does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed date and each audit will be followed up to assess the extent to which this has happened.
- 8.3.4 Arrangements are in place with Strategic Directors and Service Directors to inform the Internal Audit Service of changes in Council systems and procedures on an ongoing basis.
- 8.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit Service employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the Service.
- 8.3.6 Internal auditors will not be allocated to assurance reviews in areas where they have had responsibility for, or have undertaken any significant advice and consultancy work, within the previous 12 months.
- 8.3.7 As the Chief Internal Auditor also has responsibility for corporate risk management, insurance and counter fraud, arrangements are made for any audit work to be carried out in these areas by a suitably experienced and qualified auditor. In these cases, the Chief Internal Auditor will remove themselves from the review process of those audits and all findings and draft reports will be shared at their conclusion with both the Chief Internal Auditor and the Strategic Director, Resources and Digital in order to apply the necessary safeguards as set out in the PSIAS standard 1112 where the Chief Audit Executive has roles beyond Internal Auditing.

## **9 Resourcing of Internal Audit**

- 9.1 The Chief Internal Auditor assesses resource requirements and draws up the Audit Plan by considering the following:
  - The Council's priorities;
  - The level of risk, taking into account such areas as materiality, complexity, potential for fraud and sensitivity;

- Consultation with senior managers and the External Auditor;
  - Changes in legislation;
  - The scope of planned external audit work; and
  - The implications of external inspection reports.
- 9.2 The staffing structure of the Internal Audit Service comprises of professional accountants, IIA auditors, accounting technician and trainee posts with a mix of specialisms to reflect the varied workload of the Service. Where the Chief Internal Auditor considers there to be insufficient resources to deliver an effective audit plan this will be drawn to the attention of the Strategic Director, Resources and Digital and the Chair of the Audit and Standards Committee immediately.
- 9.3 As far as practical, the Internal Audit Service will not participate in the day-to-day operation of any systems of internal control. Where this is unavoidable then the auditor in question will not perform audit work in the same area for a minimum of 12 months thereafter. Any conflicts of interest relating to a respective area must be notified in advance to the Chief Internal Auditor. The Chief Internal Auditor maintains a record of all declared interests from Internal Audit staff and regular training sessions will be carried out to remind staff of the Code of Ethics. If any impairment to objectivity or independence does occur, then these will be disclosed to appropriate parties depending on the nature of the impairment; with significant breaches being reported to the Audit and Standards Committee.
- 9.4 Employees within the Internal Audit Service will be expected to contribute to the general management and conduct of the Council's business through membership of working groups and participation in ad hoc exercises.
- 9.5 At the request of the Strategic Director, Resources and Digital, appropriate specialists from other Services should be made available to participate in any audit or review requiring specialist knowledge.
- 9.6 The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training delivered through both internal and external courses.
- 9.7 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Finance Advisory Network, the Institute of Internal Auditors and through regular liaison with external audit.
- 9.8 The Service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.

9.9 In this regard the Service considers trends and emerging issues that could impact on the organisation.

## 10 **Scope of Audit Work**

10.1 Internal Audit's role applies to all functions and services for which the Council is responsible, including those delivered by partners where appropriate.

10.2 In addition to the regular review of all key systems of internal control which forms the majority of assurance work, Internal Audit will:

- Respond to requests for support, advice and guidance on implementing and / or improving best practice control procedures for current and new systems;
- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes;
- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of the work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over Internal Audit's independence and objectivity. Consultancy work will be assessed by the Chief Internal Auditor for its impact on the internal control environment and the potential added value in terms of the Council achieving its legitimate and ethical objectives. Any significant advice and consultancy work that may be considered to impact on the independence of the Internal Audit Service will be reported to the Audit and Standards Committee for approval;
- Be alert in all its work to risks and exposure that could allow fraud and corruption to occur and to any indications that a fraudulent or corrupt practice may be occurring;
- Review controls where a potential fraud has been detected / reported to provide assurance that the alleged fraudulent activity is unable to continue and to prevent a reoccurrence; and
- Determine the most appropriate course of action by which fraud and irregularities should be investigated in accordance with the Council's Counter Fraud and Corruption Policy.

10.3 It must be noted that whilst Internal Audit will promote the Council's Counter Fraud Policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. Internal Audit cannot guarantee that fraud or corruption will be detected



in its work. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected. Managing the risk of fraud and corruption is the responsibility of all service managers.

- 10.4 The Chief Internal Auditor has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and the Council's Financial Regulations, Fraud and Corruption Policy and Statement on the Prevention of Bribery require him to be notified of all suspected or detected fraud, corruption or impropriety. The Chief Internal Auditor will assess the potential impact of such cases on the internal control environment.

**Date of next Review - April 2025.**

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# **The Internal Audit Strategy Statement & Annual Plan 2024/25**

Craig Oakes  
Chief Internal Auditor  
Internal Audit & Risk Service  
Resources and Digital

## **Introduction**

1. The Internal Audit & Risk Service for Gateshead Council plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2024/25 has been formulated from a review of the major risks that the Council faces. The plan therefore focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed. The Service's objective is to promote and champion sound governance and effective and efficient internal controls throughout the Council and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Council's priorities – Thrive Policy, Corporate Plan and the Health and Wellbeing Strategy.
2. The Council's internal audit function is provided by the Internal Audit & Risk Service, which is based within the Financial Management Service, within Resources and Digital.

## **Purpose**

3. This document sets out Internal Audit's Strategy and Annual Audit Plan for Gateshead Council for the financial year 2024/25.
4. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
  - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that require the Chief Internal Auditor to produce a risk based annual plan taking into account the need to give an independent annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
  - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
  - Ensure effective audit coverage and provide a mechanism to deliver independent and objective assurance in particular to the Audit and Standards Committee and Senior Managers;
  - Identify the key risks facing the Council that could prevent it from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls;
  - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money; and
  - Support the Strategic Directors of Resources & Digital and Corporate Services & Governance in fulfilling their obligations as the Council's Section 151 and Monitoring Officers, respectively.

## **Key Outputs Statement**

5. The Internal Audit & Risk Service will deliver key responsibilities as follows:
  - To provide ongoing assurance to management on the Council's control environment comprising systems of governance, risk management and internal control;
  - To support the Council's values and expected standards of behaviour;
  - To be responsive to transformational change and service demands;
  - To work together with the Council's external auditors to ensure reliance can always be placed on audit work where appropriate;

- To continue to develop joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across the Council;
- To ensure agreed management actions to audit recommendations made are fully implemented;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2015;
- To continue to develop and lead on the Council's corporate governance arrangements including the review and production of the Annual Governance Statement; and
- To provide an effective corporate counter fraud and corruption service and response in accordance with the Council's Counter Fraud and Corruption Arrangements and the Local Government Fraud Strategy - "Fighting Fraud and Corruption Locally".

### **Key Characteristics of the Annual Plan**

6. Having regard to the current risk profile of the Council, the following main areas have been included in the Annual Plan for 2024/25:
  - The 2024/25 plan includes adequate flexibility to address emerging risks as well as provide assurance in high risk, key financial, IT and governance functions;
  - The scale and pace of change of the financial challenge continues to have a significant impact on the Council. Changes have taken place in the Council's structure with ongoing activity to identify and deliver savings across all areas of Council services. The implementation of changes and public service reform, with a reduced workforce and reduced funding whilst delivering business as usual and achieving priorities, remains a key challenge and risk for the Council during 2024/25 and beyond;
  - Internal Audit cannot manage risks directly; however, it can play an important role by developing a flexible audit approach and a dynamic plan to address emerging risks as well as those risks yet to be identified;
  - Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The reduction in the workforce for example provides a potential for breakdown in controls as well as an opportunity to consider alternative more efficient ways of organising people, systems and processes without impacting negatively on the control environment. To reflect this, the proposed plan includes time for advice and consultancy to support officers and challenge them in the establishment and development of their systems of governance, risk management and internal control. An important distinction is that Internal Audit's work will be challenging and advisory, rather than the design of controls which are a management responsibility;
  - The plan includes time to reflect the work the Corporate Counter Fraud Team will be doing in relation to further developing and embedding the Council's counter fraud arrangements and also work to complete proactive counter fraud reviews aimed at detecting and preventing fraud in high risk areas; and

- The challenge is to ensure that there is a balance between responding to these risks and ensuring that there is sufficient coverage of key systems. The Audit Plan must balance the need to:
    - a. Provide assurance on the effectiveness of internal controls operating within the Council;
    - b. Adequately review the assurance provided by key financial systems for management and the external auditor to place reliance on;
    - c. Allow for the Internal Audit Service to offer advice and guidance on control and efficiency issues;
    - d. Investigate suspected or detected frauds or irregularities; and
    - e. Provide time to allow the Internal Audit Service to carry out unplanned or consultancy work requested by Service Directors.
7. The continued pace of change across the Council requires assurance that is prioritised and timely and the plan must provide for this assurance to enable remedial action or controls to be implemented in a timely manner. Based on experience and feedback from Service Directors, there is a need for shorter, more focused and practical audits in areas of emerging risk. Close liaison with Business Partners who regularly attend Group Management Team meetings will facilitate a continuous review process to ensure the plan remains relevant.

### **2024/25 Annual Planning Process**

8. The approach to audit planning in the Council for 2024/25 has been based on the following:
- The Council's priorities;
  - The ongoing impacts of austerity on the control environment, finances and delivery of Council priorities;
  - The risks documented in the Council's strategic and operational risk registers;
  - Consultation with Service Directors and the external auditors;
  - Changes in legislation;
  - The scope of planned external audit work;
  - The implications of external inspection reports;
  - Findings and outcomes from audit and investigation work in 2023/24 and earlier years;
  - Consultation with colleagues across the region; and
  - Time elapsed since the previous audit.
9. Once this information has been analysed, the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, complexity, potential for fraud and sensitivity. Based on a score derived from these assessments, audits are then categorised as high, medium or low priority which dictates when they will be audited within a 3-year cycle. High priority areas are audited on an annual basis. On completion of each audit, the risk profile is revisited to ensure it remains up to date.
10. The audit plan for 2024/25 is based on resources of 16 full time equivalent (FTE) employees (16 FTE's for 2023/24). Auditor's time has been allocated on the basis of an

estimate of 71% productive hours after allowing for non-productive time including annual leave, sickness absence and training.

11. On this basis, the plan for 2024/25 has been broken down into 21,562 productive hours (21,799 planned productive hours for 2023/24) as shown below in paragraph 15.

### **Plan Structure**

12. Based on the above, the Chief Internal Auditor considers that assurance is best obtained through a combination of different “types” of audits. This is not an uncommon approach and reflects a changing emphasis for the approach to the plan tailored to the specific needs of the Council during a period of significant change.
13. There are five different types of audit activity in the plan:
  - **Assurance review** – to provide assurance that systems and controls are operating as intended and defined by risk profiles of each audit area. The risk-based approach also takes into consideration the views of Strategic and Service Directors;
  - **Advice and Consultancy** – early involvement of Internal Audit in new initiatives, ways of working or systems, particularly through periods of significant change, can help to maintain a robust control environment;
  - **Key systems** – assurance on core financial systems that are considered high risk requiring regular assurance. This work is important in providing annual assurance to the Council;
  - **Grant Certification** – assurance on grant returns and compliance with grant determinations; and
  - **Counter Fraud**– proactive and reactive audit work on counter fraud and irregularity issues.
14. A balanced approach of using different types of audit and other work is considered the most effective way to deliver the Internal Audit Strategy.

### **Plan Content**

15. Following the planning process outlined above and the principles of the PSIAS, a draft plan has been developed. As outlined, the plan needs to remain flexible and will be subject to continuous review in consultation with Strategic and Service Directors and the Audit and Standards Committee. A summary of the draft plan is shown below with further detail in Appendix C.

<b>Groups and Services</b>	<b>Audit Hours</b>
Childrens Social Care and Life Long Learning	1,485
Corporate Services and Governance	745
Economy, Innovation and Growth	570
Integrated Adults and Social Care Services	1,250
Housing, Environment & Healthy Communities	2,855
Resources and Digital	4,000
Public Health & Wellbeing	765
Office of the Chief Executive	325
Schools	1,502
<b>Corporate</b>	
Counter Fraud	3,280
Grant Certification	420
Audit Planning and Management	2,010
<b>External Bodies</b>	
Trading Companies	5
Northumbria Police	2,350
<b>Total Productive</b>	<b>21,562</b>
Non-productive	8,646
<b>Total Hours</b>	<b>30,208</b>

<b>Audit Type</b>	<b>Audit Hours</b>
Advice and Consultancy	795
Assurance Review	12,702
Grant Certification	420
Audit Planning and Management	2,010
Counter Fraud	3,280
Non-productive	8,646
<b>Total Council Plan</b>	<b>27,853</b>
<b>External Bodies</b>	
Trading Companies	5
Northumbria Police	2,350
<b>Total Hours</b>	<b>30,208</b>

16. Audit Planning and Management covers other audit activities including involvement in corporate initiatives, preparation of audit committee reports, audit planning, preparation of the Annual Governance Statement, liaison with the external auditors and development and support for new financial and internal audit management systems.

#### **How the service will be provided**

17. Internal audit provision is delivered by the in-house team supplemented by a joint working arrangement with Newcastle City Council for IT auditing. This arrangement will be kept under review on an annual basis.



18. In order to deliver the Annual Audit Plan at the required quality and professionalism, the team undertaking internal audit activity have the required mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants, qualified Association of Accounting Technicians or equivalent, Accredited Counter Fraud Specialists or studying for professional qualifications.
19. Professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:
- The complexity of the areas to be reviewed;
  - Factors such as number of locations, number and frequency of transactions; and
  - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
20. Staff development needs are continually assessed to ensure that the optimal level and mix of skills required to deliver a highly professional and added value internal audit function is maintained.

### **Performance Management**

21. The standards for 'proper practice' in relation to internal audit are laid down in the PSIAS and compliance with these professional standards will be ensured through a combination of internal and external reviews of compliance and quality. The outcome of the most recent external assessment against PSIAS was reported to the Audit and Standards Committee on 27 April 2020. A number of minor of actions were identified and progress in addressing these will be continuously reviewed.
22. To achieve the planned coverage for 2024/254, deliver a high standard of customer care and demonstrate effectiveness of the Service, the internal audit function has well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis:

<b>Performance Indicator</b>	<b>Target</b>
Productive (Chargeable) time as a % of overall time	71%
Actual hours against planned hours achieved in year	97.25%
Number of audit recommendations implemented: High Medium and Best Practice	100% 90%
Audits completed within agreed time (budgeted hours)	90%
Customer satisfaction: Average score (maximum 4)	3.4 (85%)

<b>Childrens Social Care and Life Long Learning</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	75
	<b>Total Advice and Consultancy</b>		<b>75</b>
<b>Assurance Review</b>	Troubled Families	Annual	20
	Children's Care Provision including joint funded packages of care	High	100
	Children's Care Homes	High	100
	Commissioning of Children's Services	High	100
	Unregistered and unregulated Child Residential Placements	New	80
	Safeguarding Children	Medium	100
	Children's Services Transitions	Medium	100
	Behaviour, Attendance and Exclusion	Medium	100
	Music Service	Medium	80
	Early Help	Medium	70
	Family Hub DfE Grant	Medium	70
	Care Leavers	Medium	70
	Specialist Support Services - Domestic Abuse	Medium	60
	Specialist Support Services (YOT)	Medium	60
	School Sports Partnership	Low	60
	Audit Follow Up Contingency	N/A	75
Audits brought forward from 2023/24		165	
	<b>Total Assurance Review</b>		<b>1,410</b>
<b>Total Audit Hours</b>			<b>1,485</b>

<b>Schools</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	70
	<b>Total Advice and Consultancy</b>		<b>70</b>
<b>Assurance Review</b>	School Audits	High	1,262
	Audit Follow Up Contingency	N/A	150
	Audits brought forward from 2023/24		20
	<b>Total Assurance Review</b>		<b>1,432</b>
<b>Total Audit Hours</b>			<b>1,502</b>

<b>Integrated Adults and Social Care Services</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Adult Care Provision	High	140
	Activity Based Care Service	High	100
	Commissioning Adult Services	High	100
	Care Call	High	80
	Domiciliary Care Services	High	80
	Promoting Independence Centres	High	70
	ICB Recharges	High	60
	Great North Care Record	New	50
	Service Governance, Planning and Assurance - Commissioning & Quality Assurance	New	50
	Shared Lives	Medium	75
	Safeguarding - Adult Services	Medium	75
	Independent Supported Living Schemes	Medium	50
	Audit Follow Up Contingency	N/A	75
	Audits brought forward from 2023/24		195
	<b>Total Assurance Review</b>		<b>1,200</b>
<b>Total Audit Hours</b>			<b>1,250</b>

<b>Public Health &amp; Wellbeing</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	70
	<b>Total Advice and Consultancy</b>		<b>70</b>
<b>Assurance Review</b>	Holiday Activities Funding	Annual	50
	Primary Care	High	100
	Leisure Centres	High	90
	Public Health Contract Monitoring	High	80
	Community Safety	New	60
	Service Governance, Planning and Assurance - Wellbeing	New	50
	Resilience Planning	Medium	40
	Employee Volunteering	Low	60
	Libraries	Low	60
	Audit Follow Up Contingency	N/A	20
	Audits brought forward from 2023/24		85
	<b>Total Assurance Review</b>		<b>695</b>
<b>Total Audit Hours</b>			<b>765</b>

<b>Corporate Services and Governance</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Mayor's Charity Fund	Annual	15
	Corporate Procurement	High	100
	Information Governance and Data Protection	High	80
	Service Governance, Planning and Assurance - Human Resources & Workforce Development	New	50
	Service Governance, Planning and Assurance - Legal and Democratic Services	New	50
	Redeployment and Redundancy	Medium	80
	Governance Arrangements	Medium	80
	HR Strategy, Policies and Procedures	Medium	70
	Elections	Medium	60
	Audit Follow Up Contingency	N/A	50
	Audits brought forward from 2023/24		60
	<b>Total Assurance Review</b>		<b>695</b>
<b>Total Audit Hours</b>			<b>745</b>

<b>Economy, Innovation and Growth</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	50
	<b>Total Advice and Consultancy</b>		<b>50</b>
<b>Assurance Review</b>	Climate Change Plan	New	60
	Service Governance, Planning and Assurance - Major Projects and Corporate Property	New	50
	Service Governance, Planning and Assurance - Planning Policy, Climate Change and Strategic Transport	New	50
	Licencing	Medium	100
	Business Centres	Medium	60
	Section 106 Agreements / Community Infrastructure Levy	Low	70
	Events	Low	50
	Audit Follow Up Contingency	N/A	30
	Audits brought forward from 2023/24		50
		<b>Total Assurance Review</b>	
<b>Total Audit Hours</b>			<b>570</b>

<b>Housing, Environment &amp; Healthy Communities</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	100
	<b>Total Advice and Consultancy</b>		<b>100</b>
<b>Assurance Review</b>	Compliance	High	250
	Rent Arrears and Rent Collection	High	135
	Waste Management Partnership	High	100
	Procurement	High	100
	Property Management	High	80
	Gas Servicing	High	80
	Repairs and Maintenance	High	80
	Service Governance, Planning and Assurance - Environment & Fleet	New	50
	Service Governance, Planning and Assurance - Highways and Waste	New	50
	Building Safety	New	50
	Service Governance, Planning and Assurance - Strategic Housing and Residential Growth	New	50
	Tenancy Allocation and Lettings	Medium	110
	Housing Health and Safety	Medium	100
	Housing Support	Medium	100
	Void Management	Medium	100
	Car Parking	Medium	80
	Corporate Asset Management	Medium	80
	Stores	Medium	80
	Highways Trading Account	Medium	70
	Locality Working and Hubs	Medium	70
	Adaptations	Medium	70
	Supporting Independence Service	Medium	50
	Strategic Housing Team	Medium	50
	Right To Buy Scheme	Low	70
	Bereavement Services	Low	60
	Vehicle Trackers	Low	60
	Audit Follow Up Contingency	N/A	100
Audits brought forward from 2023/24		480	
	<b>Total Assurance Review</b>		<b>2,755</b>
<b>Total Audit Hours</b>			<b>2,855</b>

Resources and Digital			
Audit Type	Audit Area	Risk	Hours
Advice and Consultancy	General Advice and Consultancy	N/A	300
	<b>Total Advice and Consultancy</b>		<b>300</b>
Assurance Review	Debtors Write Off	Annual	80
	Local Council Tax Support Scheme and Housing Benefits	High	180
	Corporate Creditors	High	120
	Corporate Debtors and Income	High	120
	Corporate Payroll and Human Resources Support	High	120
	Capital Accounting System and Programme	High	100
	IT Asset and Device Management	High	90
	IT Security	High	90
	Service Debtors	High	80
	Treasury Management	High	80
	Ways of Working	High	75
	Business Rates	High	75
	Council Tax	High	75
	Service Creditors	High	75
	Main Accounting System	High	70
	Housing Revenue Account (HRA)	High	70
	Annual Governance Statement Assurances	High	50
	VAT Arrangements	High	45
	Counter Fraud Arrangements	High	40
	Corporate Debt Management	New	80
	Purchase Cards	New	70
	Service Governance, Planning and Assurance - Customer Experience & Digital	New	50
	Service Governance, Planning and Assurance - IT	New	50
	IT Resilience	Medium	90
	IT Systems Monitoring	Medium	90
	IT Risk Management	Medium	90
	Risk Management and Business Continuity	Medium	80
	Children's Direct Payments	Medium	75
	Insurance	Medium	70
	PCI Compliance	Medium	70
	Service Payroll and Human Resources Administration	Medium	70
	Exchequer Services	Medium	70
Services to Schools	Medium	60	
Resident's Private Cash	Medium	60	
Catering	Medium	50	
School Budgets	Medium	50	

	Money Laundering	Medium	50
	Banking Arrangements	Medium	50
	Budgetary Control	High	40
	Audit Follow Up Contingency	N/A	100
	Audits brought forward from 2023/24		650
	<b>Total Assurance Review</b>		<b>3,700</b>
<b>Total Audit Hours</b>			<b>4,000</b>

<b>Office of The Chief Executive</b>			
<b>Audit Type</b>	<b>Audit Area</b>	<b>Risk</b>	<b>Hours</b>
<b>Advice and Consultancy</b>	General Advice and Consultancy	N/A	30
	<b>Total Advice and Consultancy</b>		<b>30</b>
<b>Assurance Review</b>	Partnership Arrangements	High	70
	Performance Indicators and Data Quality	High	60
	Service Governance, Planning and Assurance - Office of the Chief Executive	New	50
	Communications	Low	50
	Audit Follow Up Contingency	N/A	20
	Audits brought forward from 2023/24		45
	<b>Total Assurance Review</b>		<b>295</b>
<b>Total Audit Hours</b>			<b>325</b>

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**Title of Report:** Review of Corporate Risk Management Policy

**Report of:** Darren Collins, Strategic Director, Resources & Digital

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### **Purpose of the Report**

1. To consider and comment on a revised Risk Management Policy prior to reporting to Cabinet and Council for approval.

### **Background**

2. At its meeting of 6 June 2013, the Council approved the existing Corporate Risk Management Policy, which underpins the Council's Corporate Risk Management Strategy. The Policy prescribed a robust risk management framework within which, the Council could identify, assess, mitigate and manage the many diverse risks that could inhibit the sustained provision of essential services and the delivery of the Council Plan.
3. Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.
4. The Council maintains and reviews the registers of its business risks, linking them to strategic business objectives and assigning ownership for each risk.
5. Since 2013, the Policy has been subject to periodic reviews and minor amendments to reflect issues such as Council Structural changes, but it has not been fundamentally reviewed in that time.

### **Review of the Corporate Risk Management Policy**

6. The current Policy has been reviewed by reference to the ALARM Risk Management Standard along with an analysis of the policies published by other NE Local Authorities
7. ALARM is a not-for-profit professional membership association that has supported the local government risk management profession for over 30 years. Its Risk Management Standard, which uses the terminology for risk as set out in ISO 31000:2018, was developed by a team drawn from major risk management organisations in the UK, including Airmic, ALARM, and the Institute of Risk Management (IRM), and. This Policy also references some principles from the UK Government Orange Book, applicable to all government departments and parts of the UK public sector, with responsibility for public funds. adopted by the Federation of European Risk Management Associations (FERMA). It was revised by ALARM in 2022.
8. The review confirmed the Policy was still broadly fit for purpose, but it has been amended to ensure it continues to reflect Industry best practice by reference to the most recent version of the ALARM Risk Management Standards, with additional narrative to strengthen references to:

- Definition of strategic risks
  - Definition of operational risks
  - Project risks
  - Compliance / legal risks
  - Risk assessment procedures
  - Risk ownership / accountability
  - Risk Appetite
9. These changes will assist in a clearer understanding of the nature of the relevant risks, facilitating more effective risk identification, assessment and management, embedding the risk management culture in decision making and delivery of Council objectives.
10. The Revised Policy with track changes is attached at Appendix 1, with a clean copy at Appendix 2.

### **Recommendation**

11. It is recommended that the Committee consider the revised Corporate Risk Management Policy and provide any comments prior to reporting to Cabinet and Council for approval.



## CORPORATE RISK MANAGEMENT POLICY

**Version control:**  
Council approved – 6 June 2013  
Updated – **DATE TBC 2024**

**Gateshead Council**  
**Corporate Risk Management Policy**

**Contents**

1. Introduction
2. Definitions
3. Policy Context
4. Risk Management Objectives
5. Requirements
6. Risk Reviews
7. Implementation – Roles and Responsibilities
8. Evidence of Compliance

## 1. Introduction

- 1.1 The Council provides a wide range of services to the local community, all of which give rise to some level of risk.
- 1.2 The Council fully acknowledges that risk is not always bad (or negative). Risk can also be good (positive) where things may happen that increase benefits and improve outcomes.
- 1.3 The Council is fully committed to regularly identifying and analysing its risks and taking appropriate action to take best advantage of positive opportunities and innovation or to prevent or minimise their negative impact on service delivery.
- 1.4 This Policy provides the framework within which the Council manages the strategic and operational risks associated with the provision of its services in accordance with good management practice and in compliance with the requirements of Corporate Governance.

1.5 This Policy has been developed with reference to the ALARM Risk Management Standard. ALARM is a not-for-profit professional membership association that has supported the Local Government risk management profession for over 30 years. Its Risk Management Standard, which uses the terminology for risk as set out in ISO 31000:2018, was developed by a team drawn from major risk management organisations in the UK, including Airmic, ALARM, and the Institute of Risk Management (IRM), and adopted by the Federation of European Risk Management Associations (FERMA). It was revised by ALARM in 2022. This Policy also references some principles from the UK Government Orange Book, applicable to all government departments and parts of the UK public sector, with responsibility for public funds.

- 1.6 Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Council's strategic objectives, and enhances the value of the services it provides to the community. It is a continuous process which applies to the Council at both strategic and operational levels.
- 1.7 Corporate Risk management covers all categories of business risk. Failure to manage risks in any of the categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences. Definitions of the main risk categories are provided in this Policy.

## 2. Definitions

- 2.1 **Risk** may be defined as the chance that an uncertain event or action, should it occur, will have an impact on the ability of the Council to achieve its objectives. The impact may be either a positive opportunity or innovation where managed risk taking may benefit the Council or a negative threat requiring action to be taken to reduce the likelihood of the event occurring or to reduce the negative consequences (or impact) of the event.

- 2.2 **Strategic Risks** are risks that have the potential to impact upon the Council's medium to long term strategic objectives. They can arise from the pursuit of a strategy or a changing external environment (for example, political, economic, social, technological, environmental, or legislative change) The strategic objectives provide the basis and are recorded as part of any strategic risk assessment. They are best identified and managed by those in the most senior positions whose role entails policy and strategic decision making. The strategic risks are monitored and overseen collectively by Corporate Management Team but are assigned to individual leads for management.
- 2.3 **Operational Risks** may be defined as the risk of loss arising from, inadequate or failed internal processes, people and systems or from external events. Operational risks can result in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
- 2.4 **Project risks** are those risks that change projects or are not aligned with the strategic objectives and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
- 2.5 **Compliance/Legal risks** are risks arising from a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements. They can concern health and safety, the environment, data protection and employment practices.
- 2.6 **Risk Appetite** (often referred to as risk tolerance) is the amount of risk that the Council is prepared to tolerate at any point in time and will depend on a number of variables such as cost, reputation and effects on service delivery. Risk appetite must be considered in order to achieve the most advantageous balance of a risk occurring against the value for money of reducing that risk. Cost benefit analysis must be considered in all decisions made concerning whether to accept or treat any risk, the cost of risk control must not outweigh the cost of tolerating the risk. The Council may be prepared to take large risks in some areas and none in others and through regular member scrutiny of the strategic risk register and acceptance of residual (net) level of risk determine the Council's current risk appetite.
- 2.7 **Risk Management** is the systematic process of identifying risks, either negative (threat) risks or positive (opportunity) risks, analysing and evaluating their likelihood and impact, controlling the risk to an acceptable level and monitoring the effectiveness of the controls.
- 2.8 Risk management is far more than the prevention of bad things. It is also the taking advantage of opportunities to try out new innovative ways of working and finding opportunities to reduce costs or improve outcomes.

2.9 The Council employs four methods of managing its risks:

- **Accept** – accept the level of risk after considering risk appetite/cost benefit analysis; cost of risk control must not outweigh the cost of tolerating the risk.
- **Avoid** – avoid the activity altogether (not always possible), use an alternative method of carrying out the function which involves less risk.
- **Reduce** – employ effective controls to reduce the likelihood of an event occurring or reduce the impact of the event.
- **Transfer** – transfer the risk to an insurer or contractor.

2.10 The purpose of risk management is not to remove risk altogether as in most cases this would not be economically viable. It is getting the right balance between innovation and change and the avoidance of shock and crisis.

### 3 Policy Context

3.1 Local authorities and other public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balanced view of risk and opportunity in delivering public services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation's risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks (not simply to avoid them), and systematically anticipates and prepares successful responses.

#### Policy Statement

3.2 The Council has adopted the principles of risk management in order to:

- Make the most of its opportunities and help ensure its objectives and outcomes are achieved, including the objectives and outcomes of all partnerships and joint ventures that the Council is involved with;
- Protect the health, safety and welfare of its employees and the people it serves;
- Protect its property, assets and other resources; and
- Maintain its reputation, image, and good standing in the wider community. The Council has processes in place to regularly identify, analyse and take appropriate action to manage the risks associated with its operations including the operations of all partnerships and joint ventures that the Council is involved with, in compliance with the objectives detailed in Section 4 below.

#### 4. Risk Management Objectives

##### 4.1 The Council's risk management objectives are to:

- Integrate and embed risk management into the culture of the Council.
- Improve co-ordination and ensure consistency of risk management activity across the Council.
- Facilitate continuous review of the Council's strategic and operational business risks, including the risk of fraud and corruption, Manage risk in accordance with best practice and professional standards. Anticipate and respond to changing political, economic, social, technological, legislative, environmental, competitive and customer requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management for all those connected with the delivery of services, including services that are delivered in collaboration with partnerships, contractors, or key suppliers.
- Support sustainable service improvements and achieve value for money.
- Embrace and exploit opportunities to explore new innovative ways of working and finding opportunities to reduce costs and improve outcomes.

##### 4.2 These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
- Training all relevant staff, managers and Councillors to ensure a clear understanding of the Council's risk management policy and their role in the process
- Providing opportunities for shared learning on risk management across the Council.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and Councillors through training.
- Incorporating risk management considerations into efficiency reviews of services.
- Monitoring risk management arrangements on an ongoing basis to support the delivery of each Service's business plan objectives.

#### 5. Requirements

##### General

- 5.1 Best practice dictates that the Council must have established policies and procedures, which address the issues highlighted below, in a manner appropriate to the nature of the service undertaken.

##### Processes

- 5.2 Processes must be established in order to identify the risks associated



with the activities of the Council and its partners, assess these risks in terms of likelihood and impact and evaluate reduction and mitigation measures.

- 5.3 Training must be provided in order to ensure that all relevant staff, managers and Councillors clearly understand the Council's risk management policy and their role in the process.

#### **Risk Assessments**

- 5.4 Risk assessments must be carried out for all identified strategic, ~~and operational and project risks, (including new and existing contracts/projects and contract changes)~~. Risk assessments must be performed by competent staff including, where appropriate, expertise from outside the immediate service area.

- 5.5 Procedures must be established to regularly review and update risk assessments either when triggered by following the implementation of planned controls or at appropriate intervals. It is also important that reviews are undertaken when triggered by a risk occurrence or a change in the risk landscape (such as a legislative change). Horizon scanning should form part of the monitoring of each Service's business plan objectives.

- 5.6 Risk assessments help to inform resource allocation at decision points, and additionally when the Council periodically reviews its performance or is audited.

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#### **Risk Appetite**

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- 5.7 Effective risk management should support informed decision-making in line with the risk appetite of the Council and ensure confidence in the response to risks and how these are managed.

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- 5.8 A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the Council's risk appetite. This is incorporated into the Council's risk management process, at the risk analysis stage, and is then recorded as part of the documented risk assessment (in accordance with public sector guidance).

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- 5.9 An example of this would be a strategic decision that has been risk assessed as having multiple impacts, requiring consideration of risk trade-offs between differing aspects. In this case there would be a need for the risk assessment to document what was considered, at the time, to inform the decision and the balance within the judgement made.

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- 5.10 It is not always practical or affordable to fully manage risks to the level of a Council's optimal position. When decisions are to be made by officers outside of appetite (which increase risk beyond the optimal or tolerable positions), their justification and evidence should be recorded within a documented risk assessment including, if appropriate, seeking Cabinet direction.

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#### **Planning**

5.12 Risk management should be integrated into the Council's strategic planning framework and into all Business Plans. Management must prepare plans, which describe specific actions for the mitigation of all significant risks. To achieve maximum benefit proactive opportunity risk management should be applied at the very early planning stages of any operational activity, project or in strategy formulation.

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proposal. The Council is committed to long term sustainable development in order to ensure the capacity to continue operating into the future through greater efficiency in resource use and innovative improvements to local service delivery arrangements whilst also helping to protect the environment for future generations.

## 6. Risk Reviews

### Strategic Risk Reviews

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- 6.2 Managers will carry out risk assessments in all service areas, including those delivered in collaboration with a partnership or by a third party provider, both on a periodic basis in accordance with the a minimum timescale specified by the Strategic Director Resources & Digital ( Annually) Operational Risk Register Review) and on an ad-hoc basis as the result of triggers, (such as a risk occurrence, the implementation of controls or changes such as new systems or working procedures, legislation or changes, key personnel changes, etc). The findings of the risk assessments must be recorded with any consequential actions considered necessary by managers taken in a timely fashion. The risk assessments will both support and inform Service Business Plans which underpin the delivery of the Council Pan.
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- Responsibility for public safety or national security.
- Design/development of critical systems.
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- A high degree of public interest.
- A high degree of customer dependence.
- Large-scale capital investment.
- Significant Partnerships, joint ventures, etc.
- Fit for future projects/ initiating.
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- 6.8 An annual review of risk management policies and procedures will be conducted to ensure that they continue to meet the needs of the Council and Corporate Governance requirements and comply with professional standards.

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- 7.1 This section sets out the responsibility for the implementation of the Policy.

#### **Councillors**

- 7.2 Councillors are responsible for governing the delivery of services to the local community. All Councillors therefore have a responsibility to understand the strategic risks that the Council faces in delivering services and consider the risk management implications of any action within the strategic decision-making process.
- 7.3 The Leader of the Council holds the portfolio which encompasses risk management. The Leader is supported in this role by the Chairman of the Audit and Standards Committee who is designated Member Champion for risk management.
- 7.4 The Audit and Standards Committee is the principal interface with Councillors for the purposes of supporting and monitoring the Council's risk

management arrangements. The Committee receives quarterly reports on the Council's performance in relation to risk management and this provides an opportunity for challenge and discussion.

7.5 Councillors' key tasks are:

- Approving the risk management policy and strategy;
- Monitoring the Council's risk management and internal control arrangements;
- Reviewing an annual assessment of the effectiveness of the risk management and internal control framework; and
- Approving the public disclosure of the annual outcome of this assessment, (the Governance Statement), and publishing it alongside the Annual Statement of Accounts.

**Chief Executive and Corporate Management Team**

7.6 The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by promoting a corporate culture of risk management. This means that proactive risk management is practised throughout the organisation and is both an integral part of normal activities and supports the sharing of best practice across Groups and Services.

7.7 The Chief Executive and Corporate Management Team's key tasks are:

- Recommending to the Cabinet/Council the Corporate Risk Management Policy and subsequent revisions.
- Supporting and promoting risk management throughout the Council.
- Actively identifying and assessing strategic risks on a regular basis and ensuring they are allocated to individual leads for management response.
- The Strategic Director, Resources and Digital, in consultation with the Chief Executive, is responsible for advising the Council on risk management (Financial Regulation 17).
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the implementation, monitoring and audit of the Council's Corporate Risk Management Policy.
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the reporting of information to enable the Audit and Standards Committee members to fulfil the roles of ensuring the effectiveness of risk management arrangements.
- All Strategic Directors will be responsible for identifying and assessing significant risks arising from their service activities and in conjunction with the Strategic Director, Resources and Digital they will also identify and implement an ongoing programme for controlling risk. This includes assigning responsibility for the development and implementation of mitigating controls to control owners.

**Senior Information Risk Owner (SIRO)**

7.8 The SIRO is a CMT member responsible for managing information risk at the highest level and who provides overall direction and leadership for information governance arrangements. The SIRO for Gateshead Council is the Strategic Director of Corporate Services and Governance. Responsibilities include (but are not limited to):

- Overseeing the development of the information risk management strategy
- Ensuring that the council's approach to information risk is effective, in terms of resource, commitment and delivery
- Owning the resolution of information governance issues and risks
- Ensuring that all staff are aware of the necessity for information governance and the risks affecting the council's information
- Preparing an annual information risk assessment for the Chief Executive to inform the Annual Governance Statement

#### **Senior Management Group (Services and Performance)**

- 7.9 As the reporting channel to Corporate Management Team on risk management issues, members of this group must consider reports on corporate risk management and business continuity management.
- 7.10 As with the Corporate Management Team, this group are pivotal in the promotion and embedding of risk management within the Council's corporate culture.

#### **Service Directors**

- 7.11 Strategic and Service Directors are responsible for ensuring that risk management within their area of responsibility is implemented in line with the Corporate Risk Management Strategy and will demonstrate their commitment to risk management through:
- Being actively involved in the anticipation, identification and assessment of corporate risks and accepting ownership of those operational risks which impact on their Service(s).
  - Incorporating risk management principles into the business planning process.
  - Encouraging staff to be more innovative and open and honest in identifying risks and opportunities.
  - Ensuring that the risk management process is embedded in all major projects, change management initiatives and where services are provided in association with significant partners.
  - Embracing a proactive approach to the management of risks by:-
    - Assessing key priority risks on a periodic basis;
    - Ensuring that risk monitoring and control mechanisms are in place;
    - Ensuring effective action is taken to mitigate significant risks;
    - Regularly reviewing risk mitigation measures;
    - Delivering future control measures in accordance with action plans; and
    - Developing triggers to initiate the identification of new risks and re- evaluation of old risks, (changes in systems, legislation, etc).

#### **Managers**

- 7.12 Managers need to understand their role in the Council's risk management process and why they need to be concerned with risk in order to achieve the Council's objectives and targets. They must in compliance with the *Gateshead Competency Framework* "anticipate, assess and manage

corporate risks" that relate to their areas of responsibility.

7.13 The role of Managers is to:

- Understand how to evaluate risks and when to accept appropriate risks in order to pursue an opportunity or innovation.
- Ensure that appropriate, cost effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Business Plans and the Council's Policy and Business Planning Cycle.
- Implement and monitor adherence to the policy in the everyday activities of their specific service areas obtaining guidance from the Risk Management Co-ordinator when required.
- Communicate to staff the Council's risk management process.
- Identify risk management training needs of their staff and report this to the Risk Management Co-ordinator

**Central Risk Management**

7.14 The risk management responsibilities of the Strategic Director, Resources & Digital are discharged by the Service Director Financial Management who will provide both strategic support to the above and operational guidance to the Risk Management and Insurance Sections, which fulfil the role of Central Risk Management in the delivery of corporate risk management objectives.

7.15 The role of the Central Risk Management function is to:

- Formulate strategies to manage the corporate risk process.
- Develop, implement, monitor and review an action plan to minimise corporate strategic risks.
- Support and develop the Corporate Risk and Resilience Group/Service Risk Management Co-ordinators.
- Review Group/Service risk management action plans for relevance and consistency.
- Monitor implementation of Group/Service risk management plans.
- Report annually to Cabinet and on a regular basis to the Audit and Standards Committee.
- Co-ordinate risk management and business continuity management activity through the Corporate Risk Management Group.
- Ensure risk management and business continuity management activities are joined-up with emergency and resilience planning.

**Group/Service Risk and Resilience Management Co-ordinators**

7.16 Groups and Services may nominate a volunteer Risk and Resilience Co-ordinator. The role of the Group/Service Risk and Resilience Co-ordinator is to:

- Act as the risk and resilience management champion within their Group/Service
- Promote the benefits of risk and resilience management across their Group/Service.

- Provide guidance and support to Strategic Directors, Service Directors and service managers in the planning and administration of risk management, business continuity management, emergency planning and resilience activities.
- Act as the communications link between Central Risk and Resilience Management, the Corporate Risk and Resilience Management Group and their Group/Service Senior Management Team.
- Represent their Group/Service within the Corporate Risk Management Group and actively participate in risk management and business continuity management activities and initiatives.

#### **Corporate Risk and Resilience Group**

7.17 The Corporate Risk and Resilience Management Group consists of Central Risk Management, all Group/Service Risk and Resilience Co-ordinators and representatives from the Council's Corporate Resilience Planning Team and IT functions. The Group meets on a quarterly basis.

7.18 The role of the Corporate Risk and Resilience Group is to:

- Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements.
- Identify opportunities for improvements and best practice in relation to risk management and resilience.
- Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
- Ensure there are robust internal control arrangements in place to anticipate, assess, prevent, prepare for, respond to and recover from, emergencies ensuring a resilient Gateshead.
- Contribute to the achievement of the key strategic priorities of Resilience and Emergency Planning.
- Consider key corporate learning points from incident and exercise debriefs.

#### **Internal Audit**

7.19 Risk management is one of the key systems within the Council. Internal audit's role is to challenge established processes, risk identification and evaluation and to provide assurance to officers and members on the effectiveness of controls. The Council's Strategic Audit Plan incorporates a programme of regular compliance audits to ensure that the key elements of the Corporate Risk Management Policy and its procedures are being followed, planned risk mitigation actions have been implemented and that internal controls are robust and operating effectively.

7.20 The Chief Internal Auditor will undertake an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

7.21 Internal audit will feed the results of the corporate and service risk analysis into its annual audit programme.



## 8 Evidence of Compliance

Compliance will be evidenced by:

- The existence and implementation of the Corporate Risk Management Policy.
- Related policy statements and documented procedures.
- Strategic and operational risk registers for all of the Council's activities.
- Periodical review of strategic risk register.
- Annual review of operational risk register.
- Existence of partnership risk registers for significant partnerships.
- Risk assessments conducted for acquisitions, new contracts and projects, existing contracts and contract changes.
- Risk management implications on all Council and Cabinet reports.
- Business Continuity Management Policy and related plans.
- Business Plans.
- Agendas/minutes for Corporate Risk and Resilience Group.
- Internal/external Audit inspections and reports.
- Operational risk management handbook for managers and employees.
- Dedicated risk management section on intranet.
- Associated training materials.
- Management of action plans developed to address resilience planning issues.
- Quarterly oversight and reporting of risks into Group Management Teams.





## **CORPORATE RISK MANAGEMENT POLICY**

**Version control:**  
Council approved – 6 June 2013  
Updated – **DATE TBC 2024**

**Gateshead Council**  
**Corporate Risk Management Policy**

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1. Introduction
2. Definitions
3. Policy Context
4. Risk Management Objectives
5. Requirements
6. Risk Reviews
7. Implementation – Roles and Responsibilities
8. Evidence of Compliance

## 1. Introduction

- 1.1 The Council provides a wide range of services to the local community, all of which give rise to some level of risk.
- 1.2 The Council fully acknowledges that risk is not always bad (or negative). Risk can also be good (positive) where things may happen that increase benefits and improve outcomes.
- 1.3 The Council is fully committed to regularly identifying and analysing its risks and taking appropriate action to take best advantage of positive opportunities and innovation or to prevent or minimise their negative impact on service delivery.
- 1.4 This Policy provides the framework within which the Council manages the strategic and operational risks associated with the provision of its services in accordance with good management practice and in compliance with the requirements of Corporate Governance.
- 1.5 This Policy has been developed with reference to the ALARM Risk Management Standard. ALARM is a not-for-profit professional membership association that has supported the Local Government risk management profession for over 30 years. Its Risk Management Standard, which uses the terminology for risk as set out in ISO 31000:2018, was developed by a team drawn from major risk management organisations in the UK, including Airmic, ALARM, and the Institute of Risk Management (IRM), and adopted by the Federation of European Risk Management Associations (FERMA). It was revised by ALARM in 2022. This Policy also references some principles from the UK Government Orange Book, applicable to all government departments and parts of the UK public sector, with responsibility for public funds.
- 1.6 Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Council's strategic objectives, and enhances the value of the services it provides to the community. It is a continuous process which applies to the Council at both strategic and operational levels.
- 1.7 Corporate Risk management covers all categories of business risk. Failure to manage risks in any of the categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences. Definitions of the main risk categories are provided in this Policy.

## 2. Definitions

- 2.1 **Risk** may be defined as the chance that an uncertain event or action, should it occur, will have an impact on the ability of the Council to achieve its objectives. The impact may be either a positive opportunity or innovation where managed risk taking may benefit the Council or a negative threat requiring action to be taken to reduce the likelihood of the event occurring or to reduce the negative consequences (or impact) of the event.

- 2.2 **Strategic Risks** are risks that have the potential to impact upon the Council's medium to long term strategic objectives. They can arise from the pursuit of a strategy or a changing external environment (for example, political, economic, social, technological, environmental, or legislative change) The strategic objectives provide the basis and are recorded as part of any strategic risk assessment. They are best identified and managed by those in the most senior positions whose role entails policy and strategic decision making. The strategic risks are monitored and overseen collectively by Corporate Management Team but are assigned to individual leads for management.
- 2.3 **Operational Risks** may be defined as the risk of loss arising from, inadequate or failed internal processes, people and systems or from external events. Operational risks can result in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
- 2.4 **Project risks** are those risks that change projects or are not aligned with the strategic objectives and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
- 2.5 **Compliance/Legal risks** are risks arising from a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements. They can concern health and safety, the environment, data protection and employment practices.
- 2.6 **Risk Appetite** (often referred to as risk tolerance) is the amount of risk that the Council is prepared to tolerate at any point in time and will depend on a number of variables such as cost, reputation and effects on service delivery. Risk appetite must be considered in order to achieve the most advantageous balance of a risk occurring against the value for money of reducing that risk. Cost benefit analysis must be considered in all decisions made concerning whether to accept or treat any risk, the cost of risk control must not outweigh the cost of tolerating the risk. The Council may be prepared to take large risks in some areas and none in others and through regular member scrutiny of the strategic risk register and acceptance of residual (net) level of risk determine the Council's current risk appetite.
- 2.7 **Risk Management** is the systematic process of identifying risks, either negative (threat) risks or positive (opportunity) risks, analysing and evaluating their likelihood and impact, controlling the risk to an acceptable level and monitoring the effectiveness of the controls.
- 2.8 Risk management is far more than the prevention of bad things. It is also the taking advantage of opportunities to try out new innovative ways of working and finding opportunities to reduce costs or improve outcomes.

- 2.9 The Council employs four methods of managing its risks:
- **Accept** – accept the level of risk after considering risk appetite/cost benefit analysis; cost of risk control must not outweigh the cost of tolerating the risk.
  - **Avoid** – avoid the activity altogether (not always possible), use an alternative method of carrying out the function which involves less risk.
  - **Reduce** – employ effective controls to reduce the likelihood of an event occurring or reduce the impact of the event.
  - **Transfer** – transfer the risk to an insurer or contractor.
- 2.10 The purpose of risk management is not to remove risk altogether as in most cases this would not be economically viable. It is getting the right balance between innovation and change and the avoidance of shock and crisis.

### 3 Policy Context

- 3.1 Local authorities and other public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balanced view of risk and opportunity in delivering public services. Risk management is an integral part of good governance and corporate management mechanisms. An organisation's risk management framework harnesses the activities that identify and manage uncertainty, allows it to take opportunities and to take managed risks (not simply to avoid them), and systematically anticipates and prepares successful responses.

#### Policy Statement

- 3.2 The Council has adopted the principles of risk management in order to:
- Make the most of its opportunities and help ensure its objectives and outcomes are achieved, including the objectives and outcomes of all partnerships and joint ventures that the Council is involved with;
  - Protect the health, safety and welfare of its employees and the people it serves;
  - Protect its property, assets and other resources; and
  - Maintain its reputation, image, and good standing in the wider community. The Council has processes in place to regularly identify, analyse and take appropriate action to manage the risks associated with its operations including the operations of all partnerships and joint ventures that the Council is involved with, in compliance with the objectives detailed in Section 4 below.

## 4. Risk Management Objectives

### 4.1 The Council's risk management objectives are to:

- Integrate and embed risk management into the culture of the Council.
- Improve co-ordination and ensure consistency of risk management activity across the Council.
- Facilitate continuous review of the Council's strategic and operational business risks, including the risk of fraud and corruption, Manage risk in accordance with best practice and professional standards. Anticipate and respond to changing political, economic, social, technological, legislative, environmental, competitive and customer requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management for all those connected with the delivery of services, including services that are delivered in collaboration with partnerships, contractors, or key suppliers.
- Support sustainable service improvements and achieve value for money.
- Embrace and exploit opportunities to explore new innovative ways of working and finding opportunities to reduce costs and improve outcomes.

### 4.2 These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
- Training all relevant staff, managers and Councillors to ensure a clear understanding of the Council's risk management policy and their role in the process
- Providing opportunities for shared learning on risk management across the Council.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and Councillors through training.
- Incorporating risk management considerations into efficiency reviews of services.
- Monitoring risk management arrangements on an ongoing basis to support the delivery of each Service's business plan objectives.

## 5. Requirements

### General

- 5.1 Best practice dictates that the Council must have established policies and procedures, which address the issues highlighted below, in a manner appropriate to the nature of the service undertaken.

### Processes

- 5.2 Processes must be established in order to identify the risks associated with the activities of the Council and its partners, assess these risks in



terms of likelihood and impact and evaluate reduction and mitigation measures.

- 5.3 Training must be provided in order to ensure that all relevant staff, managers and Councillors clearly understand the Council's risk management policy and their role in the process.

#### **Risk Assessments**

- 5.4 Risk assessments must be carried out for all identified strategic, operational and project risks.). Risk assessments must be performed by competent staff including, where appropriate, expertise from outside the immediate service area.
- 5.5 Procedures must be established to regularly review and update risk assessments either following the implementation of planned controls or at appropriate intervals. It is also important that reviews are undertaken when triggered by a risk occurrence or a change in the risk landscape (such as a legislative change). Horizon scanning should form part of the monitoring of each Service's business plan objectives.
- 5.6 Risk assessments help to inform resource allocation at decision points, and additionally when the Council periodically reviews its performance or is audited.

#### **Risk Appetite**

- 5.7 Effective risk management should support informed decision-making in line with the risk appetite of the Council and ensure confidence in the response to risks and how these are managed.
- 5.8 A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the Council's risk appetite. This is incorporated into the Council's risk management process, at the risk analysis stage, and is then recorded as part of the documented risk assessment (in accordance with public sector guidance).
- 5.9 An example of this would be a strategic decision that has been risk assessed as having multiple impacts, requiring consideration of risk trade-offs between differing aspects. In this case there would be a need for the risk assessment to document what was considered, at the time, to inform the decision and the balance within the judgement made.
- 5.10 It is not always practical or affordable to fully manage risks to the level of a Council's optimal position. When decisions are to be made by officers outside of appetite (which increase risk beyond the optimal or tolerable positions), their justification and evidence should be recorded within a documented risk assessment including, if appropriate, seeking Cabinet direction.
- 5.11 In accordance with the Constitution the Chief Executive will have primary responsibility for ensuring that all decisions taken by the Council, the Cabinet or any other Council body are taken according to proper process and full

consideration of all relevant facts and circumstances, including documented risk assessments.

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- 7.5 Councillors' key tasks are:
- Approving the risk management policy and strategy;
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  - Reviewing an annual assessment of the effectiveness of the risk management and internal control framework; and
  - Approving the public disclosure of the annual outcome of this assessment, (the Governance Statement), and publishing it alongside the Annual Statement of Accounts.

### **Chief Executive and Corporate Management Team**

- 7.6 The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by promoting a corporate culture of risk management. This means that proactive risk management is practised throughout the organisation and is both an integral part of normal activities and supports the sharing of best practice across Groups and Services.
- 7.7 The Chief Executive and Corporate Management Team's key tasks are:
- Recommending to the Cabinet/Council the Corporate Risk Management Policy and subsequent revisions.
  - Supporting and promoting risk management throughout the Council.
  - Actively identifying and assessing strategic risks on a regular basis and ensuring they are allocated to individual leads for management response.
  - The Strategic Director, Resources and Digital, in consultation with the Chief Executive, is responsible for advising the Council on risk management (Financial Regulation 17).
  - The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the implementation, monitoring and audit of the Council's Corporate Risk Management Policy.
  - The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the reporting of information to enable the Audit and Standards Committee members to fulfil the roles of ensuring the effectiveness of risk management arrangements.
  - All Strategic Directors will be responsible for identifying and assessing significant risks arising from their service activities and in conjunction with the Strategic Director, Resources and Digital they will also identify and implement an ongoing programme for controlling risk. This includes assigning responsibility for the development and implementation of mitigating controls to control owners.

### **Senior Information Risk Owner (SIRO)**

- 7.8 The SIRO is a CMT member responsible for managing information risk at the highest level and who provides overall direction and leadership for information governance arrangements. The SIRO for Gateshead Council is the Strategic Director of Corporate Services and Governance. Responsibilities include (but are not limited to):
- Overseeing the development of the information risk management strategy
  - Ensuring that the council's approach to information risk is effective, in terms of resource, commitment and delivery

- Owning the resolution of information governance issues and risks
- Ensuring that all staff are aware of the necessity for information governance and the risks affecting the council's information
- Preparing an annual information risk assessment for the Chief Executive to inform the Annual Governance Statement

### **Senior Management Group (Services and Performance)**

- 7.9 As the reporting channel to Corporate Management Team on risk management issues, members of this group must consider reports on corporate risk management and business continuity management.
- 7.10 As with the Corporate Management Team, this group are pivotal in the promotion and embedding of risk management within the Council's corporate culture.

### **Service Directors**

- 7.11 Strategic and Service Directors are responsible for ensuring that risk management within their area of responsibility is implemented in line with the Corporate Risk Management Strategy and will demonstrate their commitment to risk management through:
- Being actively involved in the anticipation, identification and assessment of corporate risks and accepting ownership of those operational risks which impact on their Service(s).
  - Incorporating risk management principles into the business planning process.
  - Encouraging staff to be more innovative and open and honest in identifying risks and opportunities.
  - Ensuring that the risk management process is embedded in all major projects, change management initiatives and where services are provided in association with significant partners.
  - Embracing a proactive approach to the management of risks by:-
    - Assessing key priority risks on a periodic basis;
    - Ensuring that risk monitoring and control mechanisms are in place;
    - Ensuring effective action is taken to mitigate significant risks;
    - Regularly reviewing risk mitigation measures;
    - Delivering future control measures in accordance with action plans; and
    - Developing triggers to initiate the identification of new risks and re- evaluation of old risks, (changes in systems, legislation, etc).

### **Managers**

- 7.12 Managers need to understand their role in the Council's risk management process and why they need to be concerned with risk in order to achieve the Council's objectives and targets. They must in compliance with the *Gateshead Competency Framework* "anticipate, assess and manage corporate risks" that relate to their areas of responsibility.

7.13 The role of Managers is to:

- Understand how to evaluate risks and when to accept appropriate risks in order to pursue an opportunity or innovation.
- Ensure that appropriate, cost effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Business Plans and the Council's Policy and Business Planning Cycle.
- Implement and monitor adherence to the policy in the everyday activities of their specific service areas obtaining guidance from the Risk Management Co-ordinator when required.
- Communicate to staff the Council's risk management process.
- Identify risk management training needs of their staff and report this to the Risk Management Co-ordinator

### **Central Risk Management**

7.14 The risk management responsibilities of the Strategic Director, Resources & Digital are discharged by the Service Director Financial Management who will provide both strategic support to the above and operational guidance to the Risk Management and Insurance Sections, which fulfil the role of Central Risk Management in the delivery of corporate risk management objectives.

7.15 The role of the Central Risk Management function is to:

- Formulate strategies to manage the corporate risk process.
- Develop, implement, monitor and review an action plan to minimise corporate strategic risks.
- Support and develop the Corporate Risk and Resilience Group/Service Risk Management Co-ordinators.
- Review Group/Service risk management action plans for relevance and consistency.
- Monitor implementation of Group/Service risk management plans.
- Report annually to Cabinet and on a regular basis to the Audit and Standards Committee.
- Co-ordinate risk management and business continuity management activity through the Corporate Risk Management Group.
- Ensure risk management and business continuity management activities are joined-up with emergency and resilience planning.

### **Group/Service Risk and Resilience Management Co-ordinators**

7.16 Groups and Services may nominate a volunteer Risk and Resilience Co-ordinator. The role of the Group/Service Risk and Resilience Co-ordinator is to:

- Act as the risk and resilience management champion within their Group/Service
- Promote the benefits of risk and resilience management across their Group/Service.
- Provide guidance and support to Strategic Directors, Service Directors and service managers in the planning and administration of risk management, business continuity management, emergency planning and resilience activities.

- Act as the communications link between Central Risk and Resilience Management, the Corporate Risk and Resilience Management Group and their Group/Service Senior Management Team.
- Represent their Group/Service within the Corporate Risk Management Group and actively participate in risk management and business continuity management activities and initiatives.

### **Corporate Risk and Resilience Group**

7.17 The Corporate Risk and Resilience Management Group consists of Central Risk Management, all Group/Service Risk and Resilience Co-ordinators and representatives from the Council's Corporate Resilience Planning Team and IT functions. The Group meets on a quarterly basis.

7.18 The role of the Corporate Risk and Resilience Group is to:

- Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements.
- Identify opportunities for improvements and best practice in relation to risk management and resilience.
- Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
- Ensure there are robust internal control arrangements in place to anticipate, assess, prevent, prepare for, respond to and recover from, emergencies ensuring a resilient Gateshead.
- Contribute to the achievement of the key strategic priorities of Resilience and Emergency Planning.
- Consider key corporate learning points from incident and exercise debriefs.

### **Internal Audit**

7.19 Risk management is one of the key systems within the Council. Internal audit's role is to challenge established processes, risk identification and evaluation and to provide assurance to officers and members on the effectiveness of controls. The Council's Strategic Audit Plan incorporates a programme of regular compliance audits to ensure that the key elements of the Corporate Risk Management Policy and its procedures are being followed, planned risk mitigation actions have been implemented and that internal controls are robust and operating effectively.

7.20 The Chief Internal Auditor will undertake an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

7.21 Internal audit will feed the results of the corporate and service risk analysis into its annual audit programme.



## 8 Evidence of Compliance

Compliance will be evidenced by:

- The existence and implementation of the Corporate Risk Management Policy.
- Related policy statements and documented procedures.
- Strategic and operational risk registers for all of the Council's activities.
- Periodical review of strategic risk register.
- Annual review of operational risk register.
- Existence of partnership risk registers for significant partnerships.
- Risk assessments conducted for acquisitions, new contracts and projects, existing contracts and contract changes.
- Risk management implications on all Council and Cabinet reports.
- Business Continuity Management Policy and related plans.
- Business Plans.
- Agendas/minutes for Corporate Risk and Resilience Group.
- Internal/external Audit inspections and reports.
- Operational risk management handbook for managers and employees.
- Dedicated risk management section on intranet.
- Associated training materials.
- Management of action plans developed to address resilience planning issues.
- Quarterly oversight and reporting of risks into Group Management Teams.

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**Title of Report:** Corporate Risk Management 2023/24 - Quarter 4 Update

**Report of:** Darren Collins, Strategic Director, Resources & Digital

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### **Purpose of the Report**

1. This report updates the Committee on Corporate Risk Management developments during the period 1 January 2024 to 31 March 2024.

### **Background**

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2023/24, as cited in the Corporate Risk Management Annual Report 2022/23, and any other risk management issues emerging within the quarter under consideration.

### **Strategic Risk Management**

4. The Corporate Management Team has continued to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register.
5. There have been no changes to the Strategic Risk Register in the fourth quarter 2023/24. The current Strategic Risk Register is attached for information at Appendix 1.

### **Operational Risk Management**

6. Operational risks identified within the Council are recorded on the operational risk register. Work continues to ensure operational risk management activity within services continues to align with service objectives.
7. Digital technologies, devices and media have brought great benefits and offer enormous opportunities but their use also exposes organisations to significant corporate and operational risks.
8. To further strengthen mitigation of the risks associated with the rapidly changing IT risks landscape, the Council's Cyber Security Group have been working on the development of a new IT Security Policy and associated policies for the past 18 months. The Cabinet, at its meeting on 19 March 2024, recommended to Council the approval of the new Information Security Framework and associated IT security policies. The main IT Security Policy and eight sub policies relating to specific activities or functions within the council which involve risk. The sub policies are as follows:

- Acceptable Use Policy
- Personnel Security Policy
- Remote working Security Policy

- Email Policy
- SMS Policy
- Social Media Policy
- IT Asset Management Policy
- Information Classification Policy

9. The Corporate Risk Officer and colleagues from IT Services have developed and implemented a series of improvements to the risk management system and are exploring further improvements to make the system more intuitive and user friendly. The improvements aim to assist risk owners and risk coordinators with their ongoing operational risk reviews whilst enabling record keeping by Services that is consistent with the latest corporate data retention guidance.

### **Business Continuity Management**

10. In accordance with the Council's Business Continuity Policy all Services are required to continuously assess the risk of their activities being disrupted and to develop cost effective business continuity plans.

11. All Business Impact Assessments have been reviewed bi-annually since the start of the Pandemic in March 2020, with the most recent reviews requested in November 2023, with the next review planned for action by Services during May 2024. This exercise uses the agreed corporate Business Continuity Framework to allow Services to assess which activities might require additional support to strengthen resilience as we move from autumn / winter into spring / summer.

12. Business Continuity Plans are revised accordingly to mitigate and, as far as possible, update key personnel and shape the response to any threats to the delivery of key activities with a focus on activity that could not be interrupted for more than 48 hours without critical impact.

13. Quarterly audit and risk reports are provided to Group Management Teams to highlight the critical activities for which services have developed continuity plans.

### **Corporate Risk and Resilience Group**

14. The Corporate Risk and Resilience Group last met 16 April 2024. The following items were considered:

- Review of recent Business Impact Assessment and Business Continuity Plan seasonal refresh.
- Updates from Groups and Services.

### **Recommendation**

15. It is recommended that the Committee note the report and consider the effectiveness of the Council's risk management arrangements.

**Appendix 1**

SR Ref	Risk	Risk owner	Gross Risk Rating Pre-mitigation	Current risk post mitigation		
				Likelihood	Impact	Risk Rating
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT	Red 16	Moderate 3	High 4	Amber 12
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT	Red 16	Moderate 3	Medium 3	Amber 9
3	Failure to safeguard vulnerable children and adults	CMT	Red 16	Unlikely 2	High 4	Amber 8
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT	Red 16	Moderate 3	Low 2	Green 6
7	Failure to provide a response during a Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community.	CMT	Amber 8	Moderate 3	Low 2	Green 6
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT	Red 16	Likely 4	Medium 3	Amber 12
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT	Red 16	Moderate 3	High 4	Amber 12
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance	Red 20	Moderate 3	Medium 3	Amber 9

## Strategic Risk Map

Impact	Extreme (7)				
	High (4)	• (SR3)	• (SR1) • (SR9)		
	Medium (3)		• (SR2) • (SR4) • (SR5) • (SR10)	• (SR8)	
	Low (2)		• (SR6) • (SR7)		
		Unlikely (2)	Moderate (3)	Likely (4)	Almost Certain (5)
Likelihood					

SR	Risk description	Risk owner
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT
3	Failure to safeguard vulnerable children and adults	CMT
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT
7	Failure to provide a response during a Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community.	CMT
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT
10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance

**AUDIT AND STANDARDS COMMITTEE**  
25 April 2024

**TITLE OF REPORT:** Local Code of Governance

**REPORT OF:** Mike Barker, Strategic Director, Corporate Services and Governance

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**Purpose of the Report**

1. This report asks the Audit and Standards Committee to consider and approve an updated version of the Local Code of Governance.

**Background**

2. Good governance in local authorities is about the systems, processes and values by which Councils operate and by which they engage with, and are held accountable to, their communities and stakeholders. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for those who live, work in or visit the Borough.
3. The Council is committed to achieving effective corporate governance and since 2007 has adopted a Local Code of Governance which establishes how good governance will be achieved within the organisation.
4. The Council's code follows the principles of good governance set out in guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in the 'Delivering Good Governance in Local Government' framework they issued in 2016. These principles are:
  - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - ensuring openness and comprehensive stakeholder engagement
  - defining outcomes in terms of sustainable economic, social and environmental benefits
  - determining the interventions necessary to optimise the achievement of the intended outcomes
  - developing the entity's capacity, including the capability of its leadership and the individuals within it
  - managing risks and performance through robust internal control and strong public financial management; and
  - implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5. The Council has a robust governance framework by which it implements and embeds these principles in all aspects of the Council's conduct and operation, and which is set out in high level terms in the table at Appendix 1 to this report.
6. The Council's alignment with the CIPFA / SOLACE principles is reviewed each year within the Annual Governance Statement. The Annual Governance Statement assesses the Council's compliance, and outlines any improvement actions to be taken as a result of the assessment.

### **Proposal**

7. As part of the annual review of the Local Code of Governance, the Council's senior management have been consulted on any necessary amendments or additions to the document. The proposed changes are highlighted in Appendix 1.

### **Recommendation**

8. It is recommended that the Audit & Standards Committee approves the updated Local Code of Governance attached at Appendix 1.



## GATESHEAD COUNCIL - LOCAL CODE OF GOVERNANCE

### SELF ASSESSMENT

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</b>	
<b>Sub principle: Behaving with integrity</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Code of conduct for members of the Council (consistent with Nolan’s Seven Principles of Public Life); identifying other Registerable Personal Interests. This is updated as and when required.</li> <li>• Code of conduct for employees (paragraph 2 of Part 2 of the handbook of national conditions of service for local authority employees states “Employees will maintain conduct of the highest standard such that public confidence in their integrity is sustained.”)</li> <li>• Declarations of interests at meetings</li> <li>• Council Protocols eg Councillor/Officer relations, Development Control – protocol on Good Practice, Regulatory and Licensing Committees – protocols on Good Practice</li> <li>• Councillor Role Descriptors</li> <li>• Codes of Conduct for professional bodies which Council officers are members of</li> <li>• Member Induction programme</li> <li>• Corporate induction for employees</li> <li>• Annual Governance Statement</li> <li>• Gift and Hospitality register</li> <li>• Regular manager/employee discussions and appraisal and development sessions</li> <li>• Whistleblowing Policy - Arrangements for the Public</li> <li>• Whistleblowing Policy for employees</li> <li>• Contract Procedure Rules</li> <li>• Ensuring compliance with relevant national professional standards frameworks, for instance for social housing providers.</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> </ul>	
<ul style="list-style-type: none"> <li>• Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</li> </ul>	
<ul style="list-style-type: none"> <li>• Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</li> </ul>	

<b>Sub principle: Demonstrating strong commitment to ethical values</b>		
<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Council's strategic approach of Making Gateshead a Place Where Everyone Thrives is based on tackling inequality across the borough</li> <li>• Corporate Plan 2023-28</li> <li>• Code of conduct for officers and members</li> <li>• Council Protocol 1 – Council's Corporate Values</li> <li>• Employee competency framework</li> <li>• Member Officer protocol</li> <li>• Workforce Strategy &amp; Workforce Plan, including workforce delivery plan</li> <li>• Equal Opportunities Policy</li> <li>• Probity and ethics training</li> <li>• Councillor Development Framework includes appropriate training. Training is reviewed annually to reflect changes in roles and remits.</li> <li>• Strategic Commissioning framework</li> <li>• Corporate Social Responsibility Pledge</li> <li>• Social Value coordination / Gateshead Exchange</li> </ul>	
<ul style="list-style-type: none"> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</li> </ul>		
<ul style="list-style-type: none"> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</li> </ul>		
<ul style="list-style-type: none"> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</li> </ul>		
<b>Sub principle: Respecting the rule of law</b>		
<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring officer provisions/statutory roles</li> <li>• Financial regulations</li> <li>• Contracts procedure rules</li> <li>• Statement of accounts</li> <li>• Council reports including implications from financial and legal officers</li> <li>• Audit and Standards Committee – members assurance statements</li> <li>• Council's decision making processes eg Planning and Development Committee</li> <li>• Constitution which is reviewed at least annually</li> </ul>	
<ul style="list-style-type: none"> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</li> </ul>		
<ul style="list-style-type: none"> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</li> </ul>		
<ul style="list-style-type: none"> <li>• Dealing with breaches of legal and regulatory provisions effectively.</li> </ul>		

<ul style="list-style-type: none"> <li>• Ensuring corruption and misuse of power are dealt with effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership arrangements</li> <li>• Governance arrangements for local authority companies</li> <li>• Risk management policy</li> <li>• Whistleblowing policy</li> <li>• ICT security policy</li> <li>• Complaints procedure</li> <li>• Counter Fraud and Bribery policy</li> </ul>	
<p><b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b></p>		
<p><b>Sub principle: Openness</b></p>	<p><b>We demonstrate this by:</b></p>	
<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency agenda eg FOIs, council expenditure over £500, senior officer salaries</li> </ul>	
<ul style="list-style-type: none"> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution (references meetings open to the public)</li> <li>• Council papers, agendas and minutes (including Calendar of Meetings)</li> <li>• Record of delegated decisions</li> <li>• Access to information rules</li> </ul>	
<ul style="list-style-type: none"> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer feedback and complaints</li> <li>• Integrated impact assessments</li> <li>• Consultation principles</li> <li>• Viewpoint Panel</li> <li>• Consultation portal</li> </ul>	
<ul style="list-style-type: none"> <li>• Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership meetings</li> <li>• Trade Union Consultation Framework</li> <li>• Employee forums</li> <li>• Employee engagement sessions with the Leader and Chief Executive</li> <li>• Use of social media and email eg Gateshead Now</li> <li>• Corporate Social Responsibility Pledge</li> </ul>	
<p><b>Sub principle: Engaging comprehensively with institutional stakeholders</b></p>		
<ul style="list-style-type: none"> <li>• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership arrangements / agreements / memorandum of understanding</li> </ul>	

<p>stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>	<ul style="list-style-type: none"> <li>• Protocol 15 - Partnership working</li> <li>• Guide to partnership working for officers</li> </ul>	
<ul style="list-style-type: none"> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership Risk Register</li> <li>• Partnerships risk management framework</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>- trust</li> <li>- a shared commitment to change</li> <li>- a culture that promotes and accepts challenge among partners</li> <li>- and that the added value of partnership working is explicit.</li> </ul> </li> </ul>		
<p><b>Sub principle: Engaging stakeholders effectively, including individual citizens and service users</b></p>		
<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation principles</li> <li>• Viewpoint panel</li> <li>• Service user involvement forums</li> <li>• Consultation portal</li> <li>• Communications Strategy</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Social media</li> <li>• Members’ briefings</li> <li>• Updates from the Leader of the Council</li> </ul>	
<ul style="list-style-type: none"> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Council News</li> <li>• Numerous public surveys held throughout the year</li> <li>• Gateshead Now email</li> </ul>	
<ul style="list-style-type: none"> <li>• Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints page on Council’s website</li> <li>• The ‘Contact Us’ pages on the Council’s website</li> </ul>	
<ul style="list-style-type: none"> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Web feedback</li> <li>• Reflect full range of comments in council reports</li> </ul>	
<ul style="list-style-type: none"> <li>• Taking account of the interests of future generations of tax payers and service users.</li> </ul>	<ul style="list-style-type: none"> <li>• Youth Assembly</li> <li>• Corporate Parenting role</li> <li>• Social Care Commissioning Intentions and Market Position Statement</li> <li>• Joint Strategic Needs Assessment</li> </ul>	
<p><b>Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>		

<b>Sub principle: Defining outcomes</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> <li>• Identifying and managing risks to the achievement of outcomes.</li> <li>• Managing service user expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate policy, planning framework</li> <li>• Making Gateshead a Place Where Everyone Thrives strategic approach</li> <li>• Corporate Plan 2023-28</li> <li>• Health in All Policies approach</li> <li>• Service Business Plans</li> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>• Corporate performance management framework</li> <li>• Integrated Impact assessments</li> <li>• Strategic and Operational Risk Registers which are reviewed at least annually</li> <li>• Budget consultation</li> <li>• Corporate Social Responsibility Pledge</li> </ul>
<b>Sub principle: Sustainable economic, social and environmental benefits</b>	
<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>• Ensuring fair access to services.</li> </ul>	<ul style="list-style-type: none"> <li>• Council reports include relevant implications</li> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>• Capital Programme</li> <li>• Consultation Principles</li> <li>• Records of decision making</li> <li>• Equal opportunities policy</li> <li>• Strategic Risk Register</li> <li>• Corporate Social Responsibility Pledge</li> <li>• The Council’s Thrive Agenda</li> <li>• The Health and Wellbeing Board’s remit as set out in the Council’s Constitution</li> <li>• Joint Strategic Needs Assessment</li> <li>• Director of Public Health Annual Reports</li> </ul>

<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<b>Sub principle: Determining interventions</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</li> </ul>	<ul style="list-style-type: none"> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>Corporate Plan 2023-28</li> <li>Decision making protocols</li> <li>Outcomes from consultations</li> <li>Council reports including summary of consultation, alternative options, and implications</li> <li>Overview and Scrutiny Committees</li> </ul>
<ul style="list-style-type: none"> <li>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	
<b>Sub principle: Planning interventions</b>	
<ul style="list-style-type: none"> <li>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</li> </ul>	<ul style="list-style-type: none"> <li>Policy planning framework</li> <li>Project management</li> <li>Risk management policy</li> <li>Performance management and Improvement framework</li> <li>Project management</li> <li>Commissioning Strategy - monitoring mechanisms in place</li> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>Budget guidance</li> <li>Budget consultation</li> <li>Budget Report</li> <li>Capital Programme</li> </ul>
<ul style="list-style-type: none"> <li>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</li> </ul>	
<ul style="list-style-type: none"> <li>Considering and monitoring risks facing each partner when working collaboratively including shared risks.</li> </ul>	
<ul style="list-style-type: none"> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</li> </ul>	
<ul style="list-style-type: none"> <li>Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.</li> </ul>	
<ul style="list-style-type: none"> <li>Ensuring capacity exists to generate the information required to review service quality regularly.</li> </ul>	
<ul style="list-style-type: none"> <li>Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.</li> </ul>	

<ul style="list-style-type: none"> <li>Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>		
<b>Sub principle: Optimising achievement of intended outcomes</b>		
<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</li> </ul>	<ul style="list-style-type: none"> <li>Budget consultation framework</li> <li>Budget Guidance</li> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>Corporate Commissioning strategy</li> <li>Corporate Plan 2023-28</li> <li>Service Business Planning, reviewed annually</li> <li>Performance Management and Improvement Framework</li> </ul>	
<ul style="list-style-type: none"> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</li> </ul>		
<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</li> </ul>		
<ul style="list-style-type: none"> <li>Ensuring the achievement of 'social value' through service planning and commissioning.</li> </ul>		
<b>Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>		
<b>Sub principle: Developing the entity's capacity</b>	<b>We demonstrate this by:</b>	
<ul style="list-style-type: none"> <li>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Roles and responsibilities of the Executive and senior officers</li> <li>Councillor Role Descriptors</li> <li>Councillor Development framework</li> <li>Corporate Asset Strategy and Management Plan</li> <li>Annual Pay policy statement</li> <li>Partnership arrangements</li> <li>Workforce Strategy and Workforce Plan</li> <li>Performance Management and Improvement Framework</li> <li>Apprenticeship Strategy and Delivery Plan</li> <li>Equality Diversity &amp; Inclusion Strategy</li> <li>Digital Gateshead Strategy</li> </ul>	
<ul style="list-style-type: none"> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.</li> </ul>		
<ul style="list-style-type: none"> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> </ul>		
<ul style="list-style-type: none"> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</li> </ul>		
<b>Sub principle: Developing the capability of the entity's leadership and other individuals</b>		
<ul style="list-style-type: none"> <li>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in</li> </ul>	<ul style="list-style-type: none"> <li>Councillor officer protocol</li> </ul>	

<p>the relationship and that a shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> <li>• Relevant job profiles</li> <li>• Constitution – delegated decisions</li> <li>• Induction Programme</li> <li>• Member personal development plans (Councillor support and development group)</li> <li>• Workforce Strategy and Workforce Plan, including workforce delivery plan</li> <li>• Succession planning and talent management</li> <li>• <b>The appraisal process which is to be reviewed</b></li> <li>• Learning from Ofsted and CQC Inspections</li> <li>• Scrutiny framework</li> <li>• Staff development plans linked to Appraisal and Development</li> <li>• Health and Safety policy</li> <li>• Wellbeing at work initiatives eg health advocates and mental wellbeing first aiders</li> <li>• Viewpoint Residents Panel</li> <li>• Resident’s Survey</li> <li>• Constitution (reference meetings open to public)</li> <li>• Leadership and Management Development Programmes</li> </ul>
<ul style="list-style-type: none"> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other’s authority.</li> </ul>	
<ul style="list-style-type: none"> <li>• Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>– ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>– ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring that there are structures in place to encourage public participation.</li> </ul>	
<ul style="list-style-type: none"> <li>• Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</li> </ul>	
<ul style="list-style-type: none"> <li>• Holding staff to account through regular performance reviews which take account of training or development needs.</li> </ul>	



<ul style="list-style-type: none"> <li>• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>		
<b>Principle F: Managing risks and performance through robust internal control and strong public financial management</b>		
<b>Sub principle: Managing Risk</b>	<b>We demonstrate this by:</b>	
<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• Service Operational risk register</li> <li>• Strategic Risk Register</li> <li>• Corporate Risk and Resilience Group</li> <li>• Audit and Standards Committee remit</li> <li>• Business Continuity Plans</li> <li>• Business Impact Assessments</li> <li>• Service Business Plans</li> <li>• Corporate Risk Management Policy</li> </ul>	
<ul style="list-style-type: none"> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</li> </ul>		
<ul style="list-style-type: none"> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated.</li> </ul>		
<b>Sub principle: Managing Performance</b>		
<ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</li> </ul>	<ul style="list-style-type: none"> <li>• Council’s Forward Plan and Schedule of Decisions</li> <li>• Performance management and improvement framework</li> <li>• Member development eg scrutiny training</li> <li>• Quarterly monitoring updates regarding revenue and capital spend</li> <li>• Publication of agendas and minutes of meetings</li> </ul>	
<ul style="list-style-type: none"> <li>• Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook.</li> </ul>		
<ul style="list-style-type: none"> <li>• Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible.</li> </ul>		
<ul style="list-style-type: none"> <li>• Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</li> </ul>		

<ul style="list-style-type: none"> <li>• Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).</li> </ul>	
<b>Sub principle: Robust internal control</b>	
<ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Risk Management Policy</li> <li>• Internal Audit programme</li> <li>• Corporate Risk and Resilience Group</li> <li>• Strategic and Operational Risk Registers</li> <li>• Audit and Standards Committee – oversight of management processes</li> <li>• Counter Fraud and Bribery Policy</li> <li>• Anti-money laundering policy</li> <li>• Local Code of Governance</li> <li>• Internal Audit Charter and Strategy</li> <li>• Annual governance statement</li> <li>• Audit and Standards Committee, minutes and agendas</li> <li>• Overview and Scrutiny Committees</li> </ul>
<ul style="list-style-type: none"> <li>• Evaluating and monitoring the authority’s risk management and internal control on a regular basis.</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place.</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>– Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>– That its recommendations are listened to and acted upon.</li> </ul> </li> </ul>	
<b>Sub principle: Managing data</b>	
<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including process to safeguard personal data.</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution – Data Protection Statement</li> <li>• Data Protection policy</li> <li>• Information Governance Framework</li> <li>• Information Security Strategy</li> <li>• Corporate Data Protection Group</li> <li>• Annual Information Asset Register / Record of Processing Activity (‘ROPA’) reviews</li> <li>• Retention framework</li> <li>• Data Privacy Impact Assessments</li> <li>• North East Data Protection Forum (which is chaired by Gateshead)</li> <li>• Provide performance information to scrutiny and senior officer group</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</li> </ul>	
<ul style="list-style-type: none"> <li>• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Data sharing agreements in place</li> <li>• Internal audit of data quality on strategic outcome indicators</li> <li>• Annual information Technology Health Check as part of the Council's Public Services Network compliance submission</li> </ul>
<b>Sub principle: Strong public financial management</b>	
<ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution - Financial regulations, Delegations, Budget and Policy Framework rules and Contracts Procedure rules</li> <li>• Budget monitoring reports</li> <li>• Strategic Risk Register</li> <li>• Assurance Statements</li> <li>• Internal and External Audit</li> <li>• Strengthened capacity and capability giving assurance on potential fraud by the recruitment of an additional fraud officer</li> </ul>
<b>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	
<b>Sub principle: Implementing good practice in transparency</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Council's website</li> <li>• Council Protocol 3 – Report Formats and Preparing Reports</li> <li>• Adopting Plain English standards</li> <li>• Comply with the local government transparency code and publish all required information in a timely manner</li> <li>• Access to information rules</li> <li>• Publication of reports on the open part of committee agenda subject to the Access to information rules</li> </ul>
<b>Sub principle: Implementing good practices in reporting</b>	
<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and the stewardship of its resources.</li> <li>• Ensuring members and senior management own the results.</li> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate performance management framework</li> <li>• Roles and responsibilities outlined in Constitution</li> <li>• Audit and Standards Committee</li> <li>• Cabinet agendas</li> </ul>

publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).	<ul style="list-style-type: none"> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>• Annual Governance Statement</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</li> </ul>		
<ul style="list-style-type: none"> <li>• Ensuring the performance information that accompanies the financial statement is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul>		
<b>Sub principle: Assurance and effective accountability</b>		
<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Managed through the Audit and Standards Committee - review of the effectiveness of internal audit</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Findings from internal audit programme of inspections are reported to Audit and Standards Committee.</li> </ul>	
<ul style="list-style-type: none"> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>• Ofsted and CQC inspections reported through political framework</li> </ul>	
<ul style="list-style-type: none"> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual governance statement</li> <li>• Partnership arrangements and risk register, reviewed at least annually</li> </ul>	
<ul style="list-style-type: none"> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Audit Letter issued by external auditor</li> <li>• Welcoming and positively engaging with peer challenges, reviews and inspections of service delivery</li> </ul>	

## GATESHEAD COUNCIL - LOCAL CODE OF GOVERNANCE

### SELF ASSESSMENT

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</b>	
<b>Sub principle: Behaving with integrity</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</li> <li>• Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> <li>• Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</li> <li>• Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Code of conduct for members of the Council (consistent with Nolan’s Seven Principles of Public Life); identifying other Registerable Personal Interests. This is updated as and when required.</li> <li>• Code of conduct for employees (paragraph 2 of Part 2 of the handbook of national conditions of service for local authority employees states “Employees will maintain conduct of the highest standard such that public confidence in their integrity is sustained.”)</li> <li>• Declarations of interests at meetings</li> <li>• Council Protocols eg Councillor/Officer relations, Development Control – protocol on Good Practice, Regulatory and Licensing Committees – protocols on Good Practice</li> <li>• Councillor Role Descriptors</li> <li>• Codes of Conduct for professional bodies which Council officers are members of</li> <li>• Member Induction programme</li> <li>• Corporate induction for employees</li> <li>• Annual Governance Statement</li> <li>• Gift and Hospitality register</li> <li>• Regular manager/employee discussions and appraisal and development sessions</li> <li>• Whistleblowing Policy - Arrangements for the Public</li> <li>• Whistleblowing Policy for employees</li> <li>• Contract Procedure Rules</li> </ul>

	<ul style="list-style-type: none"> <li>• <u>Ensuring compliance with relevant A-national professional standards frameworks, for instance for social housing providers may be issued this year but its' form has not been determined yet.</u></li> </ul>
<p><b>Sub principle: Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Council's strategic approach of Making Gateshead a Place Where Everyone Thrives is based on tackling inequality across the borough <u>Corporate Plan 2023-28</u></li> <li>• Code of conduct for officers and members</li> <li>• Council Protocol 1 – Council's Corporate Values</li> <li>• Employee competency framework</li> <li>• Member Officer protocol</li> <li>• Workforce Strategy &amp; Workforce Plan, including workforce delivery plan</li> <li>• <u>Equal Opportunities Policy</u></li> <li>• <u>Probity and ethics training</u></li> <li>• Councillor Development Framework includes appropriate training. Training is reviewed annually to reflect changes in roles and remits.</li> <li>• Strategic Commissioning framework</li> <li>• <u>Corporate Social Responsibility Pledge</u></li> <li>• <u>Social Value coordination / Gateshead Exchange</u></li> </ul>
<p><b>Sub principle: Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</li> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</li> <li>• Dealing with breaches of legal and regulatory provisions effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring officer provisions/statutory roles</li> <li>• Financial regulations</li> <li>• Contracts procedure rules</li> <li>• Statement of accounts</li> <li>• Council reports including implications from financial and legal officers</li> <li>• Audit and Standards Committee – members assurance statements</li> <li>• Council's decision making processes eg Planning and Development Committee</li> <li>• Constitution which is reviewed <u>at least annually</u></li> </ul>

<ul style="list-style-type: none"> <li>Ensuring corruption and misuse of power are dealt with effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Partnership arrangements</li> <li><a href="#">Gateshead Trading Company</a> Governance arrangements for local authority companies</li> <li>Risk management policy</li> <li>Whistleblowing policy</li> <li>ICT security policy</li> <li>Complaints procedure</li> <li>Counter Fraud and Bribery policy</li> </ul>
<p><b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b></p>	
<p><b>Sub principle: Openness</b></p>	
<ul style="list-style-type: none"> <li>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</li> </ul>	<p><b>We demonstrate this by:</b></p> <ul style="list-style-type: none"> <li>Transparency agenda eg FOIs, council expenditure over £500, senior officer salaries</li> </ul>
<ul style="list-style-type: none"> <li>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</li> </ul>	<ul style="list-style-type: none"> <li>Constitution (references meetings open to the public)</li> <li>Council papers, agendas and minutes (including Calendar of Meetings)</li> <li><a href="#">Record of delegated decisions</a></li> <li>Access to information rules</li> </ul>
<ul style="list-style-type: none"> <li>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback and complaints</li> <li>Integrated impact assessments</li> <li>Consultation principles</li> <li>Viewpoint Panel</li> <li>Consultation portal</li> </ul>
<ul style="list-style-type: none"> <li>Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li>Partnership meetings</li> <li>Trade Union Consultation Framework</li> <li>Employee forums</li> <li>Employee engagement sessions with the Leader and Chief Executive</li> <li>Use of social media and email eg Gateshead Now</li> <li>Corporate Social Responsibility Pledge</li> </ul>
<p><b>Sub principle: Engaging comprehensively with institutional stakeholders</b></p>	
<ul style="list-style-type: none"> <li>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each</li> </ul>	<ul style="list-style-type: none"> <li>Partnership arrangements / agreements / memorandum of understanding</li> </ul>

<p>stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <ul style="list-style-type: none"> <li>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Protocol 15 - Partnership working</a></li> <li><a href="#">Partnership guidance</a></li> <li><a href="#">Partnership working for officers</a></li> <li><a href="#">Partnership Risk Register</a></li> <li><a href="#">Partnerships risk management framework</a></li> </ul>
<ul style="list-style-type: none"> <li>Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>trust</li> <li>a shared commitment to change</li> <li>a culture that promotes and accepts challenge among partners</li> <li>and that the added value of partnership working is explicit.</li> </ul> </li> </ul>	
<p><b>Sub principle: Engaging stakeholders effectively, including individual citizens and service users</b></p>	
<ul style="list-style-type: none"> <li>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Consultation principles</li> <li>Viewpoint panel</li> <li>Service user involvement forums</li> <li>Consultation portal</li> <li>Communications Strategy</li> <li>Social media</li> <li>Members' briefings</li> <li>Updates from the Leader of the Council</li> <li>Council News</li> <li>Numerous public surveys held throughout the year</li> <li>Gateshead Now email</li> <li>Complaints page on Council's website</li> <li>The 'Contact Us' pages on the Council's website</li> <li>Web feedback</li> <li>Reflect full range of comments in council reports</li> <li>Youth Assembly</li> <li>Corporate Parenting role</li> <li>Social Care Commissioning Intentions and Market Position Statement</li> <li>Joint Strategic Needs Assessment</li> <li><a href="#">Elections and referenda</a></li> </ul>
<ul style="list-style-type: none"> <li>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</li> </ul>	
<ul style="list-style-type: none"> <li>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</li> </ul>	
<ul style="list-style-type: none"> <li>Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</li> </ul>	
<ul style="list-style-type: none"> <li>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</li> </ul>	
<ul style="list-style-type: none"> <li>Taking account of the interests of future generations of tax payers and service users.</li> </ul>	
<p><b>Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>	



<p><b>Sub principle: Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> <li>• Identifying and managing risks to the achievement of outcomes.</li> <li>• Managing service user expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>	<p><b>We demonstrate this by:</b></p> <ul style="list-style-type: none"> <li>• Corporate policy, planning framework</li> <li>• <u>Making Gateshead a Place Where Everyone Thrives strategic approach</u></li> <li>• <u>Corporate Plan 2023-28</u></li> <li>• <u>Health in All Policies approach</u></li> <li>• <u>Service Business Plans</u></li> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>• Corporate performance management framework</li> <li>• Integrated Impact assessments</li> <li>• Strategic and Operational Risk Registers which are reviewed at least annually</li> <li>• Budget consultation</li> <li>• Corporate Social Responsibility Pledge</li> </ul>
<p><b>Sub principle: Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>• Ensuring fair access to services.</li> </ul>	<ul style="list-style-type: none"> <li>• Council reports include relevant implications</li> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>• Capital Programme</li> <li>• Consultation Principles</li> <li>• Records of decision making</li> <li>• Equal opportunities policy</li> <li>• Strategic Risk Register</li> <li>• Corporate Social Responsibility Pledge</li> <li>• The Council's Thrive Agenda</li> <li>• <u>The Health and Wellbeing Board's remit as set out in the Council's Constitution</u></li> <li>• <u>Joint Strategic Needs Assessment</u></li> <li>• <u>Director of Public Health Annual Reports</u></li> </ul>

<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<b>Sub principle: Determining interventions</b>	<b>We demonstrate this by:</b>
<ul style="list-style-type: none"> <li>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</li> <li>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li><a href="#">Corporate Plan 2023-28</a></li> <li>Decision making protocols</li> <li>Outcomes from consultations</li> <li>Council reports including summary of consultation, alternative options, and implications</li> <li><a href="#">Overview and Scrutiny Committees</a></li> </ul>
<b>Sub principle: Planning interventions</b>	
<ul style="list-style-type: none"> <li>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</li> <li>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</li> <li>Considering and monitoring risks facing each partner when working collaboratively including shared risks.</li> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</li> <li>Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.</li> <li>Ensuring capacity exists to generate the information required to review service quality regularly.</li> <li>Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>Policy planning framework</li> <li>Project management</li> <li>Risk management policy</li> <li>Performance management and Improvement framework</li> <li>Project management</li> <li>Commissioning Strategy - monitoring mechanisms in place</li> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> <li>Budget guidance</li> <li>Budget consultation</li> <li>Budget Report</li> <li>Capital Programme</li> </ul>

<ul style="list-style-type: none"> <li>Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>	
<p><b>Sub principle: Optimising achievement of intended outcomes</b></p>	
<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</li> </ul>	<ul style="list-style-type: none"> <li>Budget consultation framework</li> <li>Budget Guidance</li> </ul>
<ul style="list-style-type: none"> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</li> </ul>	<ul style="list-style-type: none"> <li>Five year Medium Term Financial Strategy, reviewed and refreshed at least annually</li> </ul>
<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Commissioning strategy</li> <li><a href="#">Corporate Plan 2023-28</a></li> </ul>
<ul style="list-style-type: none"> <li>Ensuring the achievement of 'social value' through service planning and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>Service Business Planning, reviewed annually</li> <li>Performance Management and Improvement Framework</li> </ul>
<p><b>Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it</b></p>	
<p><b>Sub principle: Developing the entity's capacity</b></p>	
<ul style="list-style-type: none"> <li>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.</li> </ul>	<p><b>We demonstrate this by:</b></p> <ul style="list-style-type: none"> <li>Roles and responsibilities of the Executive and senior officers</li> <li>Councillor Role Descriptors</li> </ul>
<ul style="list-style-type: none"> <li>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.</li> </ul>	<ul style="list-style-type: none"> <li>Councillor Development framework</li> <li><a href="#">Corporate Asset Strategy and Management Plan</a></li> <li>Annual Pay policy statement</li> <li>Partnership arrangements</li> </ul>
<ul style="list-style-type: none"> <li>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce Strategy and Workforce Plan</li> <li>Performance Management and Improvement Framework</li> </ul>
<ul style="list-style-type: none"> <li>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</li> </ul>	<ul style="list-style-type: none"> <li>Apprenticeship Strategy and Delivery Plan</li> <li><a href="#">Equality Diversity &amp; Inclusion Strategy</a></li> <li><a href="#">Digital Gateshead Strategy</a></li> </ul>
<p><b>Sub principle: Developing the capability of the entity's leadership and other individuals</b></p>	
<ul style="list-style-type: none"> <li>Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in</li> </ul>	<ul style="list-style-type: none"> <li>Councillor officer protocol</li> </ul>

<p>the relationship and that a shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> <li>● Relevant job profiles</li> <li>● Constitution – delegated decisions</li> <li>● Induction Programme</li> <li>● Member personal development plans (Councillor support and development group)</li> <li>● Workforce Strategy and Workforce Plan, including workforce delivery plan</li> <li>● Succession planning and talent management</li> <li>● <b>The appraisal process which is to be reviewed</b></li> <li>● Learning from Ofsted and CQC Inspections</li> <li>● Scrutiny framework</li> <li>● Staff development plans linked to Appraisal and Development</li> <li>● Health and Safety policy</li> <li>● Wellbeing at work initiatives eg health advocates and mental wellbeing first aiders</li> <li>● Viewpoint Residents Panel</li> <li>● Resident’s Survey</li> <li>● Constitution (reference meetings open to public)</li> <li>● Leadership and Management Development Programmes</li> </ul>
<ul style="list-style-type: none"> <li>● Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> </ul>	
<ul style="list-style-type: none"> <li>● Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other’s authority.</li> </ul>	
<ul style="list-style-type: none"> <li>● Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>– ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>– ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>● Ensuring that there are structures in place to encourage public participation.</li> </ul>	
<ul style="list-style-type: none"> <li>● Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</li> </ul>	
<ul style="list-style-type: none"> <li>● Holding staff to account through regular performance reviews which take account of training or development needs.</li> </ul>	

<ul style="list-style-type: none"> <li>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	
<b>Principle F: Managing risks and performance through robust internal control and strong public financial management</b>	
<b>Sub principle: Managing Risk</b>	
<ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> </ul>	<ul style="list-style-type: none"> <li>Service Operational risk register</li> <li>Strategic Risk Register</li> </ul>
<ul style="list-style-type: none"> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Risk and Resilience Group</li> <li>Audit and Standards Committee remit</li> </ul>
<ul style="list-style-type: none"> <li>Ensuring that responsibilities for managing individual risks are clearly allocated.</li> </ul>	<ul style="list-style-type: none"> <li>Business Continuity Plans</li> <li>Business Impact Assessments</li> <li>Service Business Plans</li> <li>Corporate Risk Management Policy</li> </ul>
<b>Sub principle: Managing Performance</b>	
<ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</li> </ul>	<ul style="list-style-type: none"> <li>Council's Forward Plan and Schedule of Decisions</li> <li>Performance management and improvement framework</li> <li>Member development eg scrutiny training</li> </ul>
<ul style="list-style-type: none"> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly monitoring updates regarding revenue and capital spend</li> <li>Publication of agendas and minutes of meetings</li> </ul>
<ul style="list-style-type: none"> <li>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.</li> </ul>	
<ul style="list-style-type: none"> <li>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</li> </ul>	

<ul style="list-style-type: none"> <li>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).</li> </ul>	
<p><b>Sub principle: Robust internal control</b></p>	
<ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving the objectives.</li> <li>Evaluating and monitoring the authority's risk management and internal control on a regular basis.</li> <li>Ensuring effective counter fraud and anti-corruption arrangements are in place.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Risk Management Policy</li> <li>Internal Audit programme</li> <li>Corporate Risk and Resilience Group</li> <li>Strategic and Operational Risk Registers</li> <li>Audit and Standards Committee – oversight of management processes</li> <li>Counter Fraud and Bribery Policy</li> <li>Anti-money laundering policy</li> <li>Local Code of Governance</li> <li>Internal Audit Charter and Strategy</li> <li>Annual governance statement</li> <li>Audit and Standards Committee, minutes and agendas</li> <li>Overview and Scrutiny Committees</li> </ul>
<ul style="list-style-type: none"> <li>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>That its recommendations are listened to and acted upon.</li> </ul> </li> </ul>	
<p><b>Sub principle: Managing data</b></p>	
<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including process to safeguard personal data.</li> </ul>	<ul style="list-style-type: none"> <li>Constitution – Data Protection Statement</li> <li><a href="#">Data Protection policy</a></li> <li><a href="#">Information Governance Framework</a></li> </ul>
<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Information Security Strategy</a></li> <li><a href="#">Corporate Data Protection Group</a></li> </ul>
<ul style="list-style-type: none"> <li>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Annual Information Asset Register / Record of Processing Activity ('ROPA') reviews</a></li> <li><a href="#">Retention framework</a></li> <li><a href="#">Data Privacy Impact Assessments</a></li> <li><a href="#">North East Data Protection Forum (which is chaired by Gateshead)</a></li> <li>Provide performance information to scrutiny and senior officer group</li> </ul>

	<ul style="list-style-type: none"> <li>• Data sharing agreements in place regarding Troubled Families programme and health data</li> <li>• Internal audit of data quality on strategic outcome indicators</li> <li>• Annual Information Technology Health Check as part of the Council's Public Services Network compliance submission</li> </ul>
<p><b>Sub principle: Strong public financial management</b></p>	
<ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution – Financial regulations, Delegations, Budget and Policy Framework rules and Contracts Procedure rules</li> <li>• Budget monitoring reports</li> <li>• Strategic Risk Register</li> <li>• Assurance Statements</li> <li>• Internal and External Audit</li> <li>• Strengthened capacity and capability giving assurance on potential fraud by the recruitment of an additional fraud officer</li> </ul>
<p><b>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	
<p><b>Sub principle: Implementing good practice in transparency</b></p>	
<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> </ul>	<p><b>We demonstrate this by:</b></p> <ul style="list-style-type: none"> <li>• Council's website</li> <li>• Council Protocol 3 – Report Formats and Preparing Reports</li> <li>• Adopting Plain English standards</li> <li>• Comply with the local government transparency code and publish all required information in a timely manner</li> <li>• Access to information rules</li> <li>• Publication of reports on the open part of committee agenda subject to the Access to information rules</li> </ul>
<ul style="list-style-type: none"> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>	
<p><b>Sub principle: Implementing good practices in reporting</b></p>	
<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and the stewardship of its resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate performance management framework</li> <li>• Roles and responsibilities outlined in Constitution</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring members and senior management own the results.</li> </ul>	

<ul style="list-style-type: none"> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).</li> </ul>	<ul style="list-style-type: none"> <li>• Audit and Standards Committee</li> <li>• Cabinet agendas</li> <li>• Five year Medium Term Financial Strategy, reviewed and refreshed at least annually <del>2022/23</del> <u>2026/27</u></li> <li>• Annual Governance Statement</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</li> <li>• Ensuring the performance information that accompanies the financial statement is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul>	
<p><b>Sub principle: Assurance and effective accountability</b></p>	
<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Managed through the Audit and Standards Committee - review of the effectiveness of internal audit</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Findings from internal audit programme of inspections are reported to Audit and Standards Committee.</li> <li>• Ofsted and CQC inspections reported through political framework</li> </ul>
<ul style="list-style-type: none"> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual governance statement</li> <li>• Partnership arrangements and risk register, reviewed at least annually</li> <li>• <u>Annual Audit Letter issued by external auditor</u></li> <li>• <u>Welcoming and positively engaging with peer challenges, reviews and inspections of service delivery</u></li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</li> </ul>	



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