

AUDIT PANEL

Tuesday, 30 May 2017

Commenced: 2.00 pm

Terminated: 3.00 pm

Present: Councillors Ricci (Chair), Affleck (Deputy Chair) and Fairfoull

In Attendance: Ian Duncan Assistant Executive Director - Resources
Wendy Poole Head of Risk Management and Audit Services

Apologies for Absence: Councillors Bailey, J Fitzpatrick and K Welsh

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 7 March 2017 were agreed and signed as a correct record.

3. ACCOUNTING POLICIES AND ESTIMATES FOR 2016/17 ACCOUNTS

The Assistant Executive Director (Finance) submitted a report, which sought to bring the following items to the attention of the Panel in advance of the closure of the accounts for 2016/17:-

- The proposed accounting policies;
- The critical judgements made in applying the accounting policies; and
- Assumptions made about the future and other major sources of estimated uncertainty within the accounts.

The accounting policies, published within the Statement of accounts in accordance with International Financial Reporting Standards, were used to produce the financial statement for 2016/17 and were appended to the report.

Judgements applied in the accounting policies of the Council when preparing the accounts were detailed and included accounting for schools (balance sheet recognition of schools and transfers to academy status), investment properties, property plant and equipment, business rates, pensions fund liability, Manchester Airports Group, housing benefit subsidy and reserves. Particular reference was made to business rates and minimum revenue provision.

RESOLVED

- (i) **That the Statement of Accounting Policies, as appended to the report, be approved; and**
- (ii) **That the critical judgements and major sources of estimated uncertainties included within the Statement of Accounts and the impact of alternative estimation bases being used, be noted.**

4. AUDIT PLAN

Consideration was given to Grant Thornton's Audit Plan for Tameside Metropolitan Borough Council and Greater Manchester Pension Fund. The report outlined the challenges and opportunities the Council and the Fund were facing and considered the impact of developments in the sector, whilst taking account of national audit requirements as set out in the Code of Audit Practice.

The audit approach was highlighted including the focus on risk with any significant and other risks identified. The results of interim audit work were detailed alongside key dates of the audit cycle and value for money. Panel Members were notified that there were no significant risks identified as part of value for money risk assessment and planning.

RESOLVED

That the audit plan be noted.

5. AUDIT FEE LETTER

Consideration was given to the audit fee letter from Grant Thornton for the external audit of 2017/18.

It was reported that the Public Sector Audit Appointments Limited (PSAA) would oversee the Commission's audit contracts for local government bodies until they ended in 2018. Their responsibilities included setting fees, appointing auditors and monitoring the quality of auditor's work. The PSAA prescribed that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting papers, within agreed timescales'.

The PSAA had proposed that the 2017/18 scale audit fees be set at the same level as the scale fees applicable for 2016/17. The audit planning process for 2017/18, including the risk assessment, would continue as the year progressed and fees would be reviewed and updated as necessary as work progressed.

Audit planning and interim audit procedures would be undertaken from November 2017 to January 2018 and upon completion a detailed audit plan setting out findings and the audit approach would be issued. The final accounts audit and work on the value for money conclusion would be completed in June and July 2018

RESOLVED

That the letter be noted.

6. GMPF STATEMENT OF ACCOUNTS 2016-2017 GOVERNANCE ARRANGEMENTS

The Assistant Director of Pensions (Local Investments and Property) submitted a report informing Members of the governance arrangements for approval of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. The report also asked Members to note the key assumptions for estimates to be used in the accounts.

It was explained that the key decision making bodies for the Council were the Audit Panel, which received accounting policy reports for both GMPF and the Council, and the Overview (Audit) Panel, which received the report of the external auditor following the audit of the accounts. The Council retained overall responsibility for the accounts of both and the follow-up on the audit reports received for both, but in practice delegated the responsibility for GMPF to GMPF.

The provisional timetable for approval of the accounts and audit reports by these bodies for 2017/18 was outlined in the report. The plan for the year was for the pre-audit of the Council and GMPF

accounts to be signed off by the S151 officer by 31 May 2017 with the external audit commencing thereafter and the process to be completed by 31 July 2017.

The key continuing assumptions used in production of the accounts included accruals basis, fair value for investments, market prices at bid where possible, compliance with accounting standards and best practice for non-listed assets, liabilities in compliance with International Accounting Standard 19 and continued phased implementation of CIPFA's guidance on accounting for management costs in the Fund.

RESOLVED

- (i) **That the governance arrangements for approval of GMPF accounts be noted; and**
- (ii) **The assumptions for estimates to be used in the GMPF accounts be noted.**

7. REVIEW OF INTERNAL AUDIT 2016/2017

The Assistant Executive Director (Finance) submitted a report, which reviewed the effectiveness of internal audit and measured practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standard, which contributed to the overall effectiveness of the system of internal control.

Information was given with regard to the background to the review, the requirements of the Public Sector Internal Audit Standards, the process that had been adopted and details of the review itself. The standards and an assessment against each of the Public Sector Internal Audit Standards and the results for 2016 compared to 2017 were detailed and showed that the service was fully compliant.

It was reported that an external review of internal audit was undertaken every five years as part of the Public Sector Internal Audit Standards. A decision had been made at the North West Chief Audit Executive Group for different Local Authorities to audit other authorities. It was confirmed that Blackpool Council and Bury Council would assess Tameside in December 2017 and January 2018 and the findings would be reported back to the Audit Panel in due course.

The report concluded that following the review of internal audit the service helped the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The outcome of the review, together with the positive comments received from the External Auditors and also from Senior Management Teams/Executive Members, demonstrated that the Council had an adequate and effective internal audit function, which contributed to the overall effectiveness of the system of internal control.

RESOLVED

That the report be noted.

8. RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2016/2017

The Head of Risk Management and Audit Services submitted a report, which summarised the work performed by the Service Unit and provided assurances as to the adequacy of the Council's system of internal control.

The key achievements of the service unit for 2016/17 were highlighted and included 93% of planned audits being delivered and 92% of audit recommendations being implemented with positive customer feedback and adherence to statutory deadlines.

It was explained that the report presented to the Audit Panel in May 2016 provided an overview of the work planned for 2016/17. The plan, as reported during the year, had been revised to ensure

that it was aligned to changes in service priorities, risks, directorate structures and resources available.

The full year position of the audit plan by Directorate/Service Area was detailed, which displayed the approved and revised plan for 2016/17, actual days as at 31 March 2017 and the percentage completed. In terms of the overall plan 1,592 actual days were delivered against a revised plan of 1,686.

Examples of the audit work undertaken in each directorate and a summary of the audit opinions issued in relation to system based audit work and also schools for 2016/17, compared to 2015/16 and 2014/15, was provided.

With regard to anti-fraud work, 27 cases had been investigated during the period April 2016 to March 2017 and investigations by fraud type, the value, the amount recovered to date and potential annual savings were provided. One Direct Payment Fraud had been prosecuted through the courts and the defendant was ordered to repay the overpayment of £53,000 and there was an outstanding Proceeds of Crime Act Hearing relating to Procurement fraud.

Work continued during 2016/17 on the matches identified from the National Fraud Initiative 2016 data matching exercise and the results were summarised.

The report further detailed the following:-

- Risk Management and Insurance;
- Performance indicators; and
- Audit opinion based on results of 2016/17 activity.

The report concluded that reasonable assurance should be taken as arrangements to secure governance, risk management and internal control were suitably designed and effectively applied. It was accepted that the gross risk for the Council had increased in recent years (due to reduced capacity, whilst still having to deliver a significant change programme to meet financial challenges). Controls were in place to mitigate such risks and where improvements had been highlighted, managers had agreed to implement the suggested recommendations. This would aid the management of risk and support the overall control environment.

RESOLVED

That the report be noted.

9. ANNUAL GOVERNANCE REPORT 2016/17

The Assistant Executive Director (Finance) submitted a report, which sought Members' views on the following:-

- The Draft Annual Review against the Code of Corporate Governance for 2016/17; and
- The Draft Annual Governance Statement for 2016/17.

The report explained that the Framework *Delivering Good Governance in Local Government* published in 2016 set the standard for local authority governance in the UK. The core principles of the framework were outlined.

It was reported that a review had been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/improvement and to prepare for the compilation of this year's Annual Governance Statement and Statement of Assurance, which were required by the Accounts and Audit Regulations 2015.

The draft Annual Review for 2016/17 and the draft Annual Governance Statement for 2016/17 were appended to the report.

RESOLVED

- (i) That the draft Annual Review against the Code of Corporate Governance for 2016/17 be approved;**
- (ii) That the draft Annual Governance Statement for 2016/17 be approved; and**
- (iii) That delegated authority be granted to the Assistant Executive Director (Finance) to make further amendments to the Draft Annual Governance Statement upon receipt of further comments.**

10. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2017/2018

The Assistant Executive Director (Finance) submitted a report, which presented the planned work for the Risk Management and Audit Service for 2017/18. The report set out in detail the work of Internal Audit and sought approval for the Annual Audit Plan for 2017/18, which was appended to the report. It also highlighted the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network team

The Head of Risk Management and Audit Services explained that the Plan was reviewed and revised each year to take into account service and legislative changes, which could result in large shifts in priorities and culminated in the production of the Annual Audit Plan.

It was reported that Audits were prioritised based on an assessment of risk and allocated a numerical risk score, which equated to either 'High, Medium/High, Medium, Low/Medium or Low'. A range of factors were taken into account, which were outlined.

The Annual Plan for 2017/18 was appended to the report and the report provided a summary of the key audits to be undertaken in each Directorate, including those planned for the Greater Manchester Pension Fund. The total days required to deliver the plan were 1,666 days and had been matched to available resources. It was further reported that the Plan would be kept under constant review and regular meetings would be held with Executive Members and the Senior Management Team to ensure that it reflected the key risks for the Council going forward as it continued to change in shape and size to meet the financial challenges placed upon it.

The report also detailed the following:-

- Internal Audit Staffing
- Internal Audit Reporting Process
- Annual Governance Statement
- Internal Audit Strategy and Charter
- Quality Assurance and Improvement Programme
- Proactive Fraud Work/Irregularity Investigations
- Risk Management and Insurance
- National Anti-Fraud Network - Data and Intelligence Services
- Performance Monitoring
- Member Training

It was reported that the Public Sector Internal Audit Standards had been updated in March 2017 therefore an internal review was underway to assess the services compliance against the revised requirements. A formal review would be undertaken by April 2018.

RESOLVED

- (i) That the draft Internal Audit Annual Plan for 2017/18 be approved and the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network Team be noted;
- (ii) That the Internal Audit Strategy for 2017/18 be approved;
- (iii) That the Internal Audit Charter for 2017/18 be approved; and
- (iv) That the Quality Assurance and Improvement Programme for 2017/18 be approved.

11. URGENT ITEMS

There were no urgent items.

CHAIR