

## **AUDIT PANEL**

**Tuesday, 31 May 2016**

**Commenced:** 2.00 pm

**Terminated:** 3.00 pm

**Present:** Councillors Ricci (Chair), Ryan (Deputy Chair), Bailey, Buckley, Fairfoull, J Fitzpatrick and Peet

**Apologies for Absence:** Councillor 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 1 March 2016 were agreed and signed as a correct record.

### **3. ACCOUNTING POLICIES AND ESTIMATES FOR 2015/16 ACCOUNTS**

Consideration was given to a report of the Assistant Executive Director (Finance), which sought to bring certain items to the attention of the Panel in advance of the closure of the accounts for 2015/16, as follows:

- 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 (IFRS), were used to produce the financial statement for 2015/16 and were appended to the report.

The key change with regard to the policies in respect of 2015/16 had been the adoption of IFRS13 Fair Value Measurement and the introduction of the concept of current value. The Code required the change that non-operational property, plant and equipment classified as surplus assets be measured at fair value. Local Authorities were required to apply the fair value measurements and additional disclosures from 1 April 2015.

Judgements to be used in preparing the accounts were detailed and included accounting for schools (balance sheet recognition of schools and transfers to academy status), investment properties and property plant and equipment. Particular reference was made to accounting for schools transfer to academy status.

#### **RESOLVED:**

- (i) **That the amended Statement of Accounting Policies, as appended to the report, be agreed; 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**

The Panel welcomed representatives of Grant Thornton, External Auditor, who presented their audit plan for Tameside MBC and GMPF for the year ending March 2016.

##### **a TMBC Audit Plan**

Stephen Nixon, Grant Thornton, presented the audit plan for TMBC. The report outlined the challenges and opportunities the Council was 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 result of interim audit work was 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.**

##### **b GMPF Audit Plan**

Mike Thomas, Grant Thornton, presented the audit plan for GMPF. The report outlined the challenges and opportunities the Pension Fund was 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 result of interim audit work was detailed alongside key dates of the audit cycle.

##### **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 2016/17.

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 audit with complete and materially accurate financial statements, with supporting papers, within agreed timescales'.

The PSAA had proposed that the 2016/17 scale audit fees be set at the same level as the scale fees applicable for 2015/16. The audit planning process for 2016/17, 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 2016 to March 2017 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 August 2017 and work on the whole of government accounts returned in September 2017.

**RESOLVED**

**That the letter be noted.**

**6. REVIEW OF INTERNAL AUDIT 2015/16**

Consideration was given to a report of the Assistant Executive Director (Finance), which reviewed the effectiveness of internal audit and measured practices and performance of the Internal Audit function with the standards that 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 standards and a comparison of the results for 2015 compared to the position as at March 2016 were detailed.

The report concluded that, against each of the standards, Internal Audit had achieved all the requirements of the Public Sector Internal Audit Standards and that the Internal Audit Service contributed to the overall effectiveness of the system of internal control. 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.

**RESOLVED**

**That the report be noted.**

**7. RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2015/16**

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 2015/16 were highlighted and included 94% of planned audits being delivered and 92% of audit recommendations being implemented.

It was explained that the report presented to the Audit Panel in May 2015 provided an overview of the work planned for 2015/16. The plan, as reported during the year, was revised on a regular basis 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 2015/16, actual days as at 31 March 2015 and the percentage completed. In terms of the overall plan 1,675 actual days were delivered against a revised plan of 1,656.

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 2015/16, compared to 2014/15 and 2013/14, was provided.

With regard to anti-fraud work, 27 cases had been investigated during the period April 2015 to March 2016 and investigations by fraud type, the value and potential annual savings were provided. Work continued during 2015/16 on the matches identified from the National Fraud Initiative 2014 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 2015/16 activity.

The report concluded that the overall audit opinion was that the Authority's governance, risk and control framework was generally sound and operated reasonably consistently. 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.**

## **8. ANNUAL GOVERNANCE REPORT 2015/16**

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 2015/16;
- The Draft Annual Governance Statement for 2015/16; and
- The Draft Code of Corporate Governance for 2016/19.

The report explained an updated version of the Framework *Delivering Good Governance in Local Government* was published at the end of April 2016 to become effective for 2016/17. The core principles of the 2016 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 2015/16 was appended to the report.

The draft Annual Governance Statement for 2015/16 and the draft Code of Corporate Governance for 2016/19 were also appended to the report for comment.

## **RESOLVED**

- (i) That the draft Annual Review against the Code of Corporate Governance for 2015/16 be approved;**
- (ii) That the draft Annual Governance Statement for 2015/16 be approved;**
- (iii) That the draft Code of Corporate Governance for 2016/19 be approved; and**
- (iv) 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.**

## **9. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2016/17**

Consideration was given to a report of the Assistant Executive Director (Finance), which presented the planned work for the Risk Management and Audit Service for 2016/17. The report set out in detail the work of Internal Audit and sought approval for the Annual Audit Plan for 2015/16, which was appended to the report.

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 risk score of High, Medium/High, Medium, Low/Medium or Low and the factors taken into account were outlined.

The Annual Plan for 2016/17 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 1,798 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 the Senior Management Team to ensure that it truly reflected the key risks for the Council going forward as it changed in shape and size to meet the financial challenges placed upon it.

It was reported that a self-assessment against the Public Sector Internal Audit Standards (PSIAS) had been completed to inform the Review of the Effectiveness of the System of Internal Control and the service was fully compliant with the Standards. An external assessment must be conducted at least once every five years as part of the PSIAS and this would be conducted by members of the North West Chief Audit Executive Group during the next two years.

A self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement for the Head of Internal Audit had also been completed as part of the review and the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services was compliant with all the requirements.

In order to comply with PSIAS, it was necessary for the Audit Panel to approve the Internal Audit Strategy and the Internal Audit Charter, both of which were also appended to the report.

The report further detailed the following:

- Quality assurance and improvement programme;
- Proactive fraud work/irregularity investigations;
- Risk management and insurance;
- National Anti-Fraud Network Data and Intelligence Services;
- Performance Monitoring; and
- Member Training.

## **RESOLVED**

- (i) That the draft Internal Audit Annual Plan for 2016/17 be approved;**
- (ii) That the Internal Audit Strategy for 2016/17 be approved;**
- (iii) That the Internal Audit Charter for 2016/17 be approved; and**
- (iv) That the Quality Assurance and Improvement Programme for 2016/17 be approved.**

## **10. RISK MANAGEMENT**

The Assistant Executive Director (Finance) submitted a report, which presented the Risk Management Policy and Strategy for 2016/17 and the Corporate Risk Register, as appended to the report.

It was explained that Risk Management was the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. It was a means of maximising opportunities and minimising the costs and disruption to the organisation caused by undesired events.

The benefits of risk management were identified. It was explained that the Council recognised that it was the responsibility of all Members and employees to have regard for risk in carrying out their duties. If uncontrolled, risk could result in a drain on resources that could better be directed to front line service provision and to the meeting of the Council's objectives and community needs.

It was further explained that the Risk Management Policy and Strategy had been reviewed and updated and a copy was appended to the report.

A copy of the Corporate Risk Register was also appended to the report. A list of risks had been removed as they had been successfully managed and new risks had been added to the register. Particular reference was made to the impact on the Council in relation to the changing landscape for schools.

#### **RESOLVED**

- (i) That the Risk Management Policy and Strategy be approved; and**
- (ii) The Corporate Risk Register be approved.**

### **11. GMPF STATEMENT OF ACCOUNTS 2014-2015 GOVERNANCE ARRANGEMENTS**

The Assistant Director of Pensions (Local Investments and Property) presented 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 sought Members approval of 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. TMBC 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 2016/17 was outlined in the report.

The key continuing assumptions used in production of the accounts included accruals basis, fair value for investments, liabilities in compliance with International Accounting Standard 19 and continued phased implementation of CIPFA's guidance on accounting for management costs in the Fund. Particular reference was made to fair valuations.

#### **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 approved.**

### **12. URGENT ITEMS**

The Chair reported that there were no urgent items for consideration at the meeting.

**CHAIR**