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AUDIT PANEL

Tuesday, 6 March 2018

Commenced: 2.00 pm

Terminated: 3.10 pm

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

In Attendance: Tom Wilkinson Assistant Director of Finance
Wendy Poole Head of Risk Management and Audit Services

Apologies for Absence: Councillors Bailey and K Welsh

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 24 October 2017 were agreed and signed as a correct record.

18. GRANT CERTIFICATION LETTER 2016-17

Consideration was given to the Grant Certification Letter for 2016/17, which detailed the results of the Housing Benefit Subsidy Grant Certification work completed in respect of 2016/17.

The letter summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process. A small number of minor issues had been identified during the process, which had been reviewed and amended accordingly and Grant Thornton had reported their findings to the Department for Work and Pensions.

Details of the Certification fees were also included. It was confirmed that the indicative fee for 2016/17 was based on the final 2014/15 certification fees that reflected the amount of work required by the auditor to certify the Housing Benefit Subsidy Claim from that year. The indicative scale fee charged to the Council was set by Public Sector Audit Appointments Limited.

RESOLVED:
That the report be noted.

19. EXTERNAL AUDIT PLAN 2017-18

Consideration was given to Grant Thornton's External Audit Plan for Tameside Metropolitan Borough Council for the year ending 31 March 2018. The plan provided an overview of the planned scope and timing of the statutory audit of the Council.

Grant Thornton were required to undertake work to enable them to form and express an opinion on the financial statements, including the Annual Governance Statement, that had been prepared by management with the oversight of those charged with governance and Value for Money

arrangements in place at the Council for securing economy, efficiency and effectiveness in the use of resources.

The report outlined any significant risks that had been identified, materiality, Value for Money arrangements and audit logistics including audit fees.

RESOLVED:

That the external audit plan be noted.

20. ACCOUNTING POLICIES AND ESTIMATES FOR 2017/18 ACCOUNTS

The Director of 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 2017/18:-

- 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 2017/18 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, debt impairment, leases, Private Finance Initiatives and similar arrangements, funding, provisions, pensions fund liability, Manchester Airports Group, housing benefit subsidy, reserves and minimum revenue provision.

RESOLVED:

- (i) **That the Statement of Accounting Policies, as appended to the report, be approved;**
- (ii) **That approval be given to management's assessment that the preparation of the accounts on a going concern basis was appropriate; and**
- (iii) **That the critical judgements and major sources of estimated uncertainties be noted.**

21. GRANT THORNTON ASSURANCE

The Director of Finance submitted a report, which explained that Grant Thornton, as part of their risk assessment procedures, were required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern consideration as part of their annual audit.

The report presented the response to the letters and questionnaires received from Grant Thornton for consideration by the Panel ahead of the document being signed by the Chair of the Panel and the Director of Finance.

RESOLVED:

- (i) **That the content of the report and the responses detailed in Appendices A and B to the report, be noted; and**
- (ii) **That the schedule be signed by the Chair of the Panel and the Director of Finance.**

22. CIPFA FRAUD AND CORRUPTION TRACKER

The Director of Finance submitted a report, which advised Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2017 for Tameside.

It was reported that the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre led and coordinated the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.

The report detailed the results of the 2016/17 survey and compared Tameside to other Metropolitan Unitaries and focused on common fraud types specific to local authorities. Details of the type of fraud along with the number of cases and values were provided. The top four types of fraud were housing and tenancy, council tax, insurance claims and procurement. For Tameside there were 1,299 cases of council tax fraud, 4 cases of adult social care fraud, 2 cases of school funds fraud and 1 case of economic and voluntary sector fraud. The number of frauds dealt with was low and because of the nature of investigations and the definition of “Detected Fraud” very little was reported in the survey.

It was estimated that across local authorities more than 75,000 frauds had been detected or prevented in 2016/17 with a total value of £336.2 million. Procurement, adult social care and council tax single person discount were perceived to be the three greatest fraud risk areas, with adult social care having the largest increase over the last year.

As a result of the survey the Chartered Institute of Public Finance and Accountancy had made the following recommendations to organisations:-

- Ensure that cyber security was integral to any new strategy or policy decision, reflecting the National Cyber Security Strategy 2016 to 2021;
- Continue to be vigilant and raise awareness of fraud within adult social care;
- Have a strong counter fraud leadership that understood the importance of involving counter fraud practitioners when devising policy and strategy;
- Continue to maximise opportunities to share data and explore innovative use of data within the law; and
- Communicate clearly the role of the fraud team and the importance of the role for both financial and reputational benefit.

The report would be used to inform the work plan of the Risk Management and Audit Team for 2018/19 in terms of proactive fraud work and the Internal Audit Plan in order to ensure robust controls were in place within systems to minimise future occurrence of known frauds.

Members requested that for future years a comparison be provided against the previous year’s data for Tameside.

RESOLVED:

That the report be noted.

23. RISK MANAGEMENT

The Director of Finance submitted a report detailing the Risk Management Policy and Strategy for 2018/2020 and the Corporate Risk Register, copies of which were appended to the report.

It was explained that risk management was facilitated by the Risk Management and Audit Service and risks were owned by members of the Single Leadership Team, with support from Assistant

Directors, managers and staff. The Single Leadership Team had been consulted with and their comments had been incorporated into the updated risk register.

It was reported that the Risk Management Policy and Strategy had been reviewed and updated with updates relating to Risk Management Guidelines, which had been simplified and duplicated information removed. The Corporate Risk Register had been updated to reflect recent changes to the management structure in January 2018. Following the liquidation of Carillion on 15 January 2018, the risk of the new college and joint public service centre in Ashton not being completed within time and budget had been added to the register. The risk of an increase of illegal dumping of waste on public and private land within the borough had also been added to the register. In addition, a number of risks had been amended as follows:-

- The risk rating for failure to reconcile Guaranteed Minimum Pensions data prior to the HMRC deadline of 2018 had been reduced to 4.
- The risk rating for requirements of the Care Act on service provision and associated financial implications had been reduced to 8.
- The risk rating for failure to reduce demand upon Children's Social Care had been increased to 15.

The risk relating to the impact on service delivery of organisational restructuring and loss of staff had been removed from the register.

The Corporate Risk Register would continue to be presented to the Single Leadership Team on a regular basis with updates provided to the Panel. The process for producing risk registers would be reviewed in conjunction with Tameside and Glossop Clinical Commissioning Group over the coming months to assess the most effective process for compiling and maintaining risk registers and to ensure that available resources were used effectively.

RESOLVED:

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

24. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2017 TO 2 FEBRUARY 2018

The Director of Finance submitted a report detailing the work undertaken by the Risk Management and Internal Audit Service in-between April 2017 to 2 February 2018 in respect of the approved Plan for 2017/18.

The key priorities for the Risk Management and Insurance team during 2017/18 were detailed as follows:-

- To review the risk management system to ensure that it complied with best practice but was still practical for use by the organisation;
- To facilitate the delivery of risk workshops to enable both the Corporate Risk Register to be updated and Operational Risk Registers to be maintained by managers;
- To facilitate the continued implementation of the Information Governance Framework and prepare for the introduction of the General Data Protection Regulations in May 2018;
- To review the Business Continuity Management system in place to streamline the process to create a management tool that was workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery; and
- To continue to support managers to assess their risks as services were redesigned to ensure that changes to systems and procedures remained robust and resilient offering cost effective mitigation and that claims for compensation could be successfully repudiated and defended should litigation occur.

Panel Members were notified that progress to review the risk management process had been delayed due to capacity issues and conflicting priorities. A review would be undertaken in the coming months in conjunction with Tameside and Glossop Clinical Commissioning Group. Work had focused on the information governance agenda in light of the introduction of the General Data Protection Regulations, which would become effective in May 2018 together with the new Data Protection Act.

It was reported that a redesign of the team proposed the deletion of two existing posts (Risk and Insurance Manager and Risk and Insurance Officer), which would be replaced with two Risk Insurance and Information Officers. Recruitment to the posts was currently underway. Work was ongoing in terms of insurance renewal to meet the deadline of 31 March 2018.

With regard to Internal Audit, reference was made to the Audit Plan, which had been approved in May 2017 and covered the period April 2017 to March 2018. An update on progress against the plan to 2 February 2018 was provided. It was reported that 83% of the audit plan had been achieved so far, which was an increase on previous years. It was explained that a detailed review of the audit plan had been undertaken in conjunction with senior management and the original plan of 1,666 days had been revised to 1,479 days with 185 days rescheduled for 2018/19.

During the period October 2017 to February 2018, five final reports were issued in relation to systems, risk and managed audits. In addition, five draft reports had been issued for management review and responses and these would be reported to the Panel in due course. Three school audits were completed during the period, the results of which were summarised. In addition, two further audits had been completed and the draft reports had been issued to the Schools for management review and responses. Eleven Post Audit Reviews had been completed during the period, taking the total to 23 for the year to date, and a further 19 were in progress.

It was reported that the review of Internal Audit against the Public Sector Internal Auditing Standards highlighted that the service was fully compliant with the requirements of the standard. The Public Sector Internal Auditing Standards, introduced from April 2013, required at Standard 1312 that each organisation's internal audit service was subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation". The Peer Review for the Council would be conducted by Blackpool and Bolton and take place from 12 - 14 March 2018.

The Internal Audit Charter for 2018/19 had been refreshed and was appended to the report. It covered definition, responsibility and objectives of internal audit, independence and scope of internal audit, opinion work, reporting internal audit access right and resources.

An update was given on the annual governance statement development areas as follows:-

- Children's Services
- Risk Management and Business Continuity Planning
- Health and Safety
- Managing Change
- Care Together
- Vision Tameside
- Pension Fund Pooling of Investments

An update was also provided on work undertaken on National Anti-Fraud Network Data and Intelligence Services.

With regard to Irregularities / Counter Fraud Work a summary of cases, which had been investigated during the period, was provided. In total, 21 cases had been received with 14 still under investigation. A table detailing the fraud type, number of cases, value, the amount recovered to date and potential annual savings was outlined.

In relation to Local Audit and Accountability Act 2014, Mazars LLP had been appointed as the Council's new external auditor from 2018/19 until 2022/23. The Council would work with both the existing auditors, Grant Thornton, and Mazars to ensure a smooth transition took place.

RESOLVED:

That the report and performance of the Service Unit for the period April 2017 to 2 February 2018 be noted.

25. URGENT ITEMS

There were no urgent items.

CHAIR