

AUDIT PANEL

29 May 2018

Commenced: 2.00 pm

Terminated: 3.00 pm

Present: Councillors Ricci (Chair), Homer (Deputy Chair), Fairfoull, J Fitzpatrick, Peet and Bell

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

Apologies for Absence: Councillors Bailey and Kitchen

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 6 March 2018 were agreed and signed as a correct record.

3. REVIEW OF INTERNAL AUDIT 2017/18

The Director of 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.

It was reported that a Peer Review of Internal Audit had been undertaken by Blackpool Council and Bolton Council during 12–14 March 2018. A report detailing the outcomes of the review was appended and confirmed that Internal Audit conformed to the requirements of the Public Sector Internal Audit Standards. Five recommendations and three additional development areas had been included in the report and had been included in the Quality Assurance and Improvement Plan for 2018/19.

Internal Audit had three key performance indicators and for 2017/18 all targets were either met or exceeded: 93% of the Plan had been completed, 90% of recommendations had been implemented and there had been 100% customer satisfaction.

The report concluded that Internal Audit 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 positive comments received from the Peer Review, together with the positive comments 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.

4. RISK MANAGEMENT AND AUDIT SERVICE ANNUAL REPORT 2017/18

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 2017/18 were highlighted and included:-

- The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards following an External Peer Review in March 2018.
- The implementation rate for audit recommendations was 90%.
- Customer feedback was very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received from the External Auditors (Grant Thornton).
- The National Anti-Fraud Network delivered its most successful AGM / Summit in London in October 2017, with 249 delegates representing 124 organisations.
- Twenty three fraud cases were investigated during the year.
- A School Bursar was charged with three counts of fraud by abuse of position, and after pleading guilty was sentenced to 9 months imprisonment suspended for 12 months and 180 hours unpaid work for misappropriating £19,000 in monies / equipment belonging to the school.
- NAFN received an excellent inspection report from the Investigatory Powers Commissioners Officer in December 2017 with no recommendations received.

It was explained that the report presented to the Audit Panel in May 2017 provided an overview of the work planned for 2017/18. 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 2017/18, actual days as at 31 March 2018 and the percentage completed. In terms of the overall plan 1,485 actual days were delivered against a revised plan of 1,489.

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 2017/18, compared to 2016/17 and 2015/16, was provided.

With regard to anti-fraud work, 23 cases had been investigated during the period April 2017 to March 2018 and a table detailing the investigations by fraud type, value, the amount recovered to date and potential annual savings was provided. Seventeen of the cases involved frauds perpetrated against the Council by claimants or third parties. Several of the cases were still being investigated or prepared for prosecution therefore the value of the fraud could change as the case progresses.

In relation to the National Fraud Initiative 2016 data matching exercise, it was reported that the majority of the investigations had been finalised and the results were summarised.

The report further detailed the following:-

- Risk Management and Insurance;
- Performance indicators;

- Quality Assurance and Improvement Programme;
- Independence of Internal Audit; and
- Audit opinion based on results of 2017/18 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 these 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.

5. ANNUAL GOVERNANCE REPORT 2017/18

The Director of Finance submitted a report, which presented the Governance Report that was comprised of the following two elements:-

- The Draft Annual Review against the Code of Corporate Governance for 2017/18; and
- The Draft Annual Governance Statement for 2017/18.

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, 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. A number of review areas were contained in the improvement plan as follows:-

- Vision Tameside
- Children's Services
- Pension Fund Pooling of Investments
- Health and Safety
- Management of CCTV
- Creditors
- Estates Management
- ICT Disaster Recovery and Business Continuity Planning
- Information Governance

RESOLVED:

- (i) **That the draft Annual Review against the Code of Corporate Governance for 2017/18 be approved; and**
- (ii) **That the draft Annual Governance Statement for 2017/18 be approved.**

6. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2018/19

The Head of Risk Management and Audit Services submitted a report, which presented the planned work for the Risk Management and Audit Service for 2018/19. The report set out in detail the work of Internal Audit and presented the Annual Audit Plan for 2018/19, 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 – Data and Intelligence Services.

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 audit management system used held the entire list of all audits to be undertaken and was used as part of the consultation process with Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers.

The Annual Plan for 2018/19 was appended to the report and had been expanded in response to the recent Peer Review Assessment to cover:-

- Links to the Corporate Plan;
- Links to the Corporate Risk Register;
- Auditable Area;
- Purpose of the Audit;
- Priority;
- Audit Category; and
- Planned Days for 2018/19.

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 1,757 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 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

RESOLVED:

- (i) **That the draft Internal Audit Plan for 2018/19 be approved and the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network Team be noted; and**

- (ii) **That the Quality Assurance and Improvement Programme for 2018/19 be approved.**

7. INFORMATION GOVERNANCE REPORT

The Head of Risk Management and Audit Services submitted a report, which provided an update on the requirements of the General Data Protection Regulations and the new Data Protection Act.

It was reported that the General Data Protection Regulations came into operation from 25 May 2018 and would effectively replace the current EU derived rules in the Data Protection Act 1998. They placed a greater demand on organisations in terms of accountability for their use of personal data, enhanced the existing rights of individuals and strengthened the controls that organisations were required to have in place over the processing of personal data.

The following work had been undertaken to ensure full compliance with both the General Data Protection Regulations and the new Data Protection Act 2018:-

- Creating information asset registers for all service areas, by facilitating workshops with managers to collate data in a template approved by the AGMA Information Governance Group
- Using those registers, to create privacy notices for publication on the public website
- Producing a Record of Processing Activities, which will need to be published on the Council website based on the information asset registers from service areas
- Reviewing the Information Governance Framework documents in line with the new requirements
- Identifying the best training and communications methods to ensure messages and training reach all staff in the most useable and appropriate way
- Producing a Contract Variation letter to be sent to all contractors, suppliers and processors
- The introduction of an Information Governance Newsletter

The key changes were outlined and included the eight principles being reduced to six, breaches of personal data that resulted in a risk to the rights and freedoms of individuals had to be reported to the ICO within 72 hours and fines could be issued for security breaches and where an organisation could not demonstrate compliance with any of the principles. Consent had to be opt-in, a Data Protection Officer must be appointed and the response time for Subject Access Requests response was now 1 month with no fee attached.

Twelve documents had been updated in light of the General Data Protection Regulations and were appended to the report. Articles had been published in Live Wire and in the Chief Executive's Brief and a new mandatory E-Tutorial - General Data Protection Regulations would be rolled out to staff for completion by the end of June. Consideration was being given to delivering Manager Briefings about the key changes in relation to Subject Access Requests, Reporting Information Incidents and dealing with the new rights for Individual.

RESOLVED:

- (i) **That the report be noted; and**
(ii) **That approval be given to the 12 Information Governance Framework documents that were appended to the report.**

8. GMPF STATEMENT OF ACCOUNTS 2017-2018 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 used in the accounts.

It was reported that the governance arrangements for approval of the accounts were consistent with last year, when they were brought forward as a consequence of changes to the statutory deadlines for local authorities to produce their accounts, which became mandatory in 2018.

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 2018/19 was outlined in the report. The plan for the year was for the pre-audit 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 Local Government Pension Scheme.

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.**

9. GMPF 2017-18 AUDIT PLAN

Consideration was given to Grant Thornton's External Audit Plan for Greater Manchester Pension Fund (GMPF) 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 that had been prepared by management with the oversight of those charged with governance. The audit plan provided an overview of the planned scope and timing of the statutory audit of GMPF.

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

RESOLVED:

That the external audit plan be noted.

10. URGENT ITEMS

There were no urgent items.

CHAIR