

AUDIT PANEL

15 March 2022

Commenced: 14:00

Terminated: 14:48

Present: Councillors Naylor (Chair), Owen (Deputy Chair), J Fitzpatrick, N Sharif and Kitchen

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Kathy Roe	Director of Finance
Caroline Barlow	Assistant Director of Finance
Heather Green	Finance Business Partner
Wendy Poole	Head of Risk Management and Audit Services
Martin Nixon	Risk, Insurance and Information Governance Manager

Apologies for Absence: Councillors Costello and Boyle

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

The minutes of the Audit Panel meeting held on the 9 November 2021 were approved as a correct record.

37. EXTERNAL AUDIT PROGRESS REPORT

The report provided the Audit Panel with an update on External Audit Progress in delivering their responsibilities. It also included a summary of recent national reports and publications.

It was reported that since the last meeting of the Audit Panel, Mazars had continued to work closely with the Council's finance team to resolve the remaining audit queries, in relation to the valuation of Council land & buildings and investment properties. The valuation of land & buildings and investment properties was the most significant area of the audit, and had been an increasing focus for the Council and external audit over the past few years. The Council used two external valuers to produce the valuations. Responses to Mazars initial queries led to the Council's valuers providing revised estimates for inclusion in the financial statements. It was stated that Mazars were in the process of reviewing the revised valuations. Subject to satisfactory clearance of any audit queries on these revised valuations, the Council would update the Statement of Accounts ready for final sign off.

In regards to Value for Money arrangements audit work. The Panel had previously been advised that the revised NAO Code of Audit Practice had changed the work on the Council's value for money arrangements for 2020/21. Mazars had regular discussions with the Council officers to understand the Council's arrangements, and received supporting evidence and information on the Council's arrangements in January. Mazars aimed to complete our work and report at the same time as they would complete and report on financial statements work.

The Audit Panel were advised that CIPFA had published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes following a consultation period. These two statutory and professional codes were important regulatory elements of the capital finance

framework within which local authorities operate. Local authorities were required by regulation to 'have regard to' their provisions. Guidance notes would follow shortly in the new year.

Further, Members were advised of the consultation on changes on the capital framework: Minimum Revenue Provision, December 2021. This consultation sought views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

RESOLVED

That the report be noted

**38. ANNUAL GOVERNANCE STATEMENT 2020/201- IMPROVEMENT PLAN
PROGRESS UPDATE**

Consideration was given to a report of the Director of Finance. Head of Risk Management and Audit Services. The report set out the Annual Governance Statement 2020/21 Improvement Plan Progress Report for comment.

The Annual Governance Statement was presented to the Audit Panel on 27 July 2021 as a draft document for review and comment and presented as a final document for approval on 9 November 2021.

It was reported that Section 5 of the Annual Governance Statement identified a number of areas for development which were appended to the statement in an improvement plan. Addressing the issues identified would further enhance the governance framework in place for the Council.

It was reported that the table presented at Appendix 1 provided a progress report against each development as at February 2022.

RESOLVED

That the report be noted

39. ACCOUNTING POLICIES 2021/22

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report detailed the accounting policies for the 2021/22 Statement of Accounts and the critical judgements made in applying the accounting policies.

Members were advised that the accounting policies adopted by the Council determined the accounting treatment that was applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determined the specific principles, bases, conventions, rules and practices that would be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves were published within the statement of accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting ('the Code').

It was reported that Officers had assessed the accounting policies that were deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2021/22. In undertaking this assessment a review of all accounting policies previously agreed had been undertaken to check their relevance, clarity, legislative compliance and that they were in accordance with the latest version of 'the Code' and IFRS requirements.

There were no changes to the Code of Practice on Local Authority Accounting which required changes to the Council's Accounting Policies for 2021/22.

The Panel was advised that CIPFA LASAAC had issued an exceptional consultation on time limited changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021. The consultation closed on 3 March 2022. If the proposals in this emergency consultation were adopted for 2021/22 then the Council would need to consider whether any changes were required to the financial statements. The proposed changes to valuations were expected to be optional, and therefore changes may not be necessary if the decision was made to continue with the existing valuation programme.

RESOLVED

That the Audit Panel:

- (i) Note that there were no proposed changes to the accounting policies for 2021/22 compared to those adopted for 2020/21; and**
- (ii) Approve the accounting policies detailed at Appendix 1 to this report.**

40. CONSULTATIONS

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report provided members of the Audit Panel with detailed of the proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. It also set out Emergency proposals for an update of 2021/22 Code of Practice on Local Authorities Accounting in the United Kingdom and the 2022/23 Code.

It was reported that there had been two recent consultations which could impact the Council's revenue budget and/or impact on the accounting treatment that was applied to transactions during the financial year. These two separate consultations related to:

- proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year; and
- Emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom and the 2022/23 Code.

In regards to the consultation on changes to the minimum revenue provision guidance December 2021. This consultation sought views on proposed changes to regulations intended to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

It was explained that the government was proposing to make changes to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to address the issue that some authorities were not adequately complying with the duty to make Minimum Revenue Provision. Changes were intended to make explicit that:

- Capital receipts could not be used in place of the revenue charge. The intent was to prevent authorities avoiding, in whole or part, a prudent charge to revenue. It was not the intention to prevent authorities using capital receipts to reduce their overall debt position, which could have the effect of reducing the MRP made with respect to the remaining debt balance.
- Prudent MRP would be determined with respect to the authority's total capital financing requirement. The intent was to stop the intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. Authorities should still be able to charge MRP over the period in which their capital expenditure provides benefits, and begin charging MRP in the year following capital expenditure, in accordance with proper accounting practices set out in the government's statutory guidance on Minimum Revenue Provision.

It was further explained the current MRP guidance included wording which made it clear that it was for the authority to determine an amount of MRP that it considered to be prudent. This proposed change would impact on the ability of the Council to set a policy that it considered prudent.

The Panel were advised that CIPFA LASAAC issued an exceptional consultation on time limited

changes to the code to help alleviate delays to the publication of audited financial statements. Only 9% of local authority accounts in England met the audit publication deadline of 30 September 2021, and only 40% had been signed off at the end of January 2022.

CIPFA had set out their views on the proposed changes in their invitation to comment document and provided some detail on how their proposed changes with impact on the preparation of financial statements. It should be noted that the changes were based on requests from the Department of Levelling Up Housing and Communities to address the crisis with the audit publication deadlines in England. It was made clear that there were no similar issues in Northern Ireland, Scotland or Wales.

RESOLVED

That the Panel note the potential implications of the proposed changes set out in the consultations, if proposals are adopted.

41. DATA PROTECTION/INFORMATION GOVERNANCE UPDATE REPORT

Consideration was given to a report of the Head of Risk Management and Audit Services / Director of Finance. The report provided an update on Data Protection/Information Governance across the Council and presented some key documents for information

It was reported that The Information Governance Group, considered three documents at its meeting on 2 December 2021 and these are presented in Appendices 1, 2 and 3 for information. Consultation has taken place with the Information Governance Champions and feedback has been incorporated into the documents appended to the report.

The Subject Access Request Guidance sets out the various roles and responsibilities within the Council when dealing with a Subject Access Request. The guidance provided the following advice:-

- how to recognise a Subject Access Request,
- the key points to consider; and
- the procedure to be followed to ensure fulfilment of the request in line with the data protection legislation

The document attached at Appendix 1 was an update on the existing policy, which had been refreshed to make the guidance clearer. It updated the SAR process to better reflect the procedures in place within the Information and Improvement Team and wider service areas.

The Redaction Guidance was attached at Appendix 2. This was a new guidance document to draw together the current working practices across the Council in respect of redaction, standardise them and provided one central point of reference for all employees to refer to for guidance when faced with a redaction task.

The guidance had been brought in line with current legislative and regulatory guidance. In light of various ICO enforcement actions and reprimands against other organisations in recent years for redaction errors, the procedure regarding how to redact had been refined to ensure that all redaction was carried out electronically using software approved and supplied by IT Services.

As a result of amendments to the guidance, it was considered that further direction and clarity had been provided to the Council's employees and the guidance better underpins the wider Data Protection/Information Governance Framework.

It was also reported that the Vulnerability Disclosure Procedure outlined the process for reporting an external/internal security vulnerability found in any of the Council's hosted systems and/or services to the Council. It set out expectations of what the reporting individual can expect as part of the reporting process.

RESOLVED

That the Audit Panel note the report and approve:

- (i) The Subject Access Request Guidance attached at Appendix 1**
- (ii) The Redaction Guidance attached at Appendix 2.**
- (iii) The Vulnerability Disclosure Procedure attached at Appendix 3.**

42. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2021 TO JANUARY 2022

Consideration was given to a report of the Head of Risk Management and Audit Services. The report advised members of the work undertaken by the Risk Management and Audit Service from April 2021 to January 2022 and to comment on the results.

It was stated that the Audit Plan approved on 16 March 2021 covered the period April 2021 to March 2022 and totalled 1,666 Days. This was made up of 1,272 days on planned audits and 393 days on reactive counter fraud work/investigations.

The Audit Plan was revised at the end of September and approved by the Audit Panel in November 2021. The Revised Plan totals 1,584 days, with 1,166 days on planned audits and 418 days on reactive counter fraud work/investigations.

It was reported that the status for all audit activities had been updated to reflect the current position, the end of year approached, to take account of available resources for Quarter 4.

In the ten-month period to January 2022, twelve Final Reports were issued in relation to systems and risk based audits. In addition to the Final Reports issued above, six Draft Reports had been issued for management review and responses and these would be reported to the Panel in due course. In addition, Five Final Audit Reports in relation to Schools were issued during April 2021 to January 2022.

In addition to the final reports issued above, two further audits had been completed and the Draft Reports had been issued to the Schools for management review and responses and they would be reported to the Panel in due course.

It was explained that Post Audit Reviews were undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance was issued the Post Audit Review was scheduled for three months to ensure that the issues identified were addressed. Nine Post Audit Reviews had been completed during October 2021 to January 2022. In total twenty-two Post Audit Reviews had now been completed during 2021/22 and the percentage rate of recommendations implemented is currently 85%. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there were no significant issues outstanding to report to the Panel. A further thirteen Post Audit Reviews were in progress which would be reported to the Panel at a future meeting.

In regards to irregularities and counter fraud work, Members were advised that the fraudulent claims paid totalling £116,670 were being reviewed in conjunction with the Assistant Director of Exchequer and the Head of Legal to ensure a robust and cost effective recovery process was put in place. The challenge added by referring claims to the Fraud Investigators has prevented claims being paid totalling £78,872. As the grants had paid out over two financial years, a final summary would be provided in the Risk Management and Audit Annual Report, which would be presented to the Audit Panel in July 2022.

RESOLVED

That the report and performance of the Service Unit from April 2021 to January 2022 be noted.

43. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2022/23

Consideration was given to a report of the Head of Risk Management and Audit Services. The report detailed the planned work for the Risk Management and Audit Service for 2022/23.

It was explained that The Internal Audit Service planned its work with a view to achieving the following key objectives:

- Supporting the Council's Vision;
- Providing optimum coverage across all services to ensure the best use of resources;
- Targeting resources towards priority (high-risk) areas;
- Satisfying legislative requirements;
- Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
- Responding to the needs of service managers; and
- Maintaining a regular level of audit presence in all areas.

Audits were prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low. Consultation involved Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers. The meetings which were carried out in January/February 2022 helped to inform the risk assessments undertaken on audit activities.

The Annual Audit Plan of 1,595 Days had been balanced to resources available. However, productive days were estimated and any changes to the assumptions used would be reflected during the year and reported to the Audit Panel and the Greater Manchester Pension Fund Local Board. A member of the team resigned in February 2022 to take up a promotion with the DWP and so this had affected resources available. The detailed Annual Audit Plan for 2022/23 was attached to the report at Appendix 1.

Each audit activity in the 2022/23 Plan had been linked to one of the themes within the Corporate Plan. Further, where appropriate each audit had been linked to a risk in the Corporate Risk Register to ensure that the plan was providing audit coverage in the areas deemed to be of significant risk to the Council.

RESOLVED

That the Audit Panel:

- (i) Approve the Draft Internal Audit Plan for 2022/23 shown at Appendix 1 and note the planned work for the Risk, Insurance and Information Governance Team and the National Anti-Fraud Network Data and Intelligence Service.**
- (ii) Approve the Audit Strategy for 2022/23 shown at Appendix 2.**
- (iii) Approve the Audit Charter for 2022/23 shown at Appendix 3.**
- (iv) Approve the Quality Assurance and Improvement Programme for 2022/23 shown at Appendix 4.**
- (v) Support and approve adopting the North West Chief Audit Executive Peer Review system for the External Review due by March 2023.**

44. AUDIT PANEL FORWARD PLAN AND TRAINING

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report set out the updated plan and training programme for the Audit Panel for 2022/23 and 2023/24.

To assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2022/23 and 2023/24, which set out the areas that should be considered by the Audit Panel. The work plan outlined in Appendix 2 had been updated to remove November 2021 and include July 2023. It also reflected the revised reporting deadlines for the Statement of Accounts

and Annual Governance Statement for 2021/22.

Members of the panel were asked to consider whether any additional items or training were required, with reference to the core functions listed above and the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2018. .

AGREED

That the Audit Panel:

- 1) Approve the updated work programme, including training, as set out in Appendix 2; and**
- 2) Note the core functions outlined in Section 2 of the report and the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2018 and consider whether any further training would be beneficial for the Audit Panel.**

45. CORPORATE RISK REGISTER UPDATE MARCH 2021

Consideration was given to a report of the Director of Finance / Risk, Insurance and Information Governance Manager. The report summarised the Corporate Risk Register that was attached to the report at Appendix 1.

It was reported that Service delivery in some areas of the Council continued to be influenced by high Tameside Covid-19 infection rates. When compared to the risk scores last reported in November 2021 the total of 7 Red risks is unchanged, which was still higher than the 4 Red risks reported prior to the March 2020 pandemic/lockdown.

The Risk, Insurance and Information Governance Manager delivered a summary of the key developments in the risk register following review in November 2021 and February 2022.

This analysis showed that there was currently a total of 7 Red risks across the register. When compared to the 19 Red risks reported in May 2020 it could be seen there was movement towards the pre-Covid level of 4 Red risks reported in October 2019.

AGREED

That the Corporate Risk Register attached at Appendix 1 be approved.

46. URGENT ITEMS

There were no urgent items.

CHAIR