

## AUDIT PANEL

21 November 2023

**Commenced:** 14:00

**Terminated:** 14:50hrs

**Present:**

Councillors M Smith (Chair), Bray, Billington, Kitchen and Fitzpatrick.

Ian Duncan and Stuart Fair (Independent Members)

**In Attendance:**

|                 |  |
|-----------------|--|
| Sandra Stewart  | Chief Executive                                    |
| Ashley Hughes   | Director of Resources                              |
| Paddy Dowdall   | Assistant Director, Local Investment and Property  |
| Carol McDonnell | Head of Assurance                                  |
| Stuart Munro    | Finance Manager                                    |
| Thomas Austin   | Senior Finance Manager                             |
| Martin Nixon    | Risk, Insurance and Information Governance Manager |
| Karen Murray    | Mazars   |
| Amelia Salford  | Mazars   |

**Apologies for Absence:** Councillors Boyle and McLaren

### 15. DECLARATIONS OF INTEREST

There was no declarations of interest.

### 16. MINUTES

The minutes of the Audit Panel meeting on the 1 August 2023 were approved as a correct record.

### 17. TAMESIDE ANNUAL AUDITORS REPORT 2020/21

Consideration was given to a report of the external auditors, Mazars, which summarised the work undertaken for the year ended 31 March 2021. The report detailed the work and conclusions formed in respect of the annual financial statements and value for money.

It was reported that the audit of the 2020/21 financial statements were substantially complete. The only matters that remained outstanding related to receiving the final version of the financial statements and value for money work which were in the process of being concluded.

The significant findings and risks which Mazars had identified as part of their continuous planning procedure were highlighted to Members of the Audit Panel and the steps undertaken in response to each risk were set out in Appendix 1 of the report. Mazars explained that they were satisfied that that Council had appropriate arrangements in place to respond to weaknesses in relation to financial sustainability and Ofsted inspections.

Members were advised that Mazars had reported a risk in terms of financial reporting and therefore these issues had led to a number of material adjustments to the 2020/21 financial statements and a significant delay in issuing the audit opinion for 2020/21 and 2021/22. Mazars summarised the work that had been undertaken to address the identified risk:

- Reviewed the Council's arrangements to produce its financial statements;
- Discussed with management how they engage with, and challenge the information provided by its experts;
- Considered the number and value of technical errors and disclosure amendments required to the draft accounts; and

- Drawn on conclusions from the accounts audit to determine whether these highlight any actual weakness in arrangements.

As previously discussed at the last meeting of the Audit Panel, Members further raised their concern with the length of time taken to sign off accounts from previous years. Mazars assured Members that the Council were now in an overall good position to progress accounts.

#### **AGREED**

**That the Auditor's Annual Report for 2020/21 be noted.**

#### **18. GMPF AUDIT COMPLETION REPORT 2021/22 (ACR)**

Consideration was given to a report of the external auditors Mazars, highlighting the key matters arising from the 2021/22 financial statements for the Greater Manchester Pension Fund (GMPF).

An Audit Completion Report for the Greater Manchester Pension Fund for year ended 31 March 2021 was attached at Appendix 2. Mazars reported that they had substantially completed their audit and there were no matters which Mazars were aware of, that required modification of their audit opinion. Members were further informed that draft accounts, received on 19 August 2022, were of good quality and Mazars thanked GMPF officers for their co-operation during the course of the audit.

Mazars explained that GMPF's statement of accounts formed part of the financial statements for Tameside Council, as the administering authority of the Fund. This meant they were unable to provide their opinion on the Fund's accounts until Mazars had completed their audit for the administering authority.

With regards to internal control recommendations, Mazars highlighted the importance of formally documenting the change management process with regards to Agresso and noted that this document should be formally approved by the relevant senior officers. It was explained that the Agresso system was managed and administrated by Tameside MBC on behalf of GMPF and Tameside MBC were in the process of developing a full change management policy that incorporated the Agresso system. Members were assured that GMPF would discuss the recommendation with Tameside MBC and this would be shared with Mazars.

#### **RESOLVED**

**That the report be noted.**

#### **19. GMPF AUDIT STRATEGY MEMORANDUM 2022/23 (ASM)**

Consideration was given to a report of the Mazars which summarised the work processes and timetables that were in place in order to complete the audit of the 2021-22 accounts for the Greater Manchester Pension Fund (GMPF).

The Audit Manager of Mazars highlighted the significant risks and other key judgements. It was explained that following the risk assessment approach detailed within the report, Mazars had identified relevant risks to the audit financial statements.

Management override of controls was a mandatory significant risk on all audits due to the unpredictable way in which such override occurred. It was explained that management at various levels within an organisation were in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepared fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, there was a risk of material misstatement due to fraud on all audits. The planned response to address this risk was performing audit work over material accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise

unusual.

Members were advised with regard to the valuation of investments within level 3 of the fair value hierarchy. It was reported that as at 31 March 2023, the valuation of investments within level 3 of the fair value hierarchy was £8.7bn, which accounted for 30 per cent of net investment assets. Level 3 assets were those assets whose value was based on unobservable inputs, and consequently the estimation uncertainty for these inputs were more significant than for assets valued at level 1 and 2. It was explained that in response Mazars audit procedures included:

- An understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund were obtained. The appropriateness of the Pension Fund's instructions to those valuers would be considered.
- An understanding of the basis of valuation applied in the year would be obtained.
- Agreeing the valuation of a sample of investments to supporting documentation including investment manager valuation statements and cash flow adjustments;
- Assurance from Mazars property valuation expert on the appropriateness of the methodology and assumptions adopted by the Pension Fund's investment property valuer.

## **RESOLVED**

**That the content of the 2022-23 Audit Strategy Memorandum be noted.**

## **20. TREASURY MANAGEMENT MID-YEAR UPDATE**

Consideration was given to a report of the Director of Resources which provided a mid-year review of the Council's Treasury Management activities for 2023/24.

It was explained that Treasury Management was a critical activity to ensure Value for Money in the use of public funds. It was concerned with safely managing the working capital of an organisation, managing its cash flows, investments, money markets and banking. It ensured that public funds work for us, and are safely maximised, without undertaking high-risk investments. It was unrelated to the Revenue Budget of the Council.

The report provided an overview of the Treasury Management activities of the organisation over the first six months of the year. At 30 September 2023, it was reported that the total investment balance was £139.550m and total long term borrowing was £139.269m.

Members were advised that the current strategy was designed to ensure that borrowing costs were kept low over the longer term, rather than subject to the volatility that a high risk strategy might deliver. Where investments were involved, the policy ensured the security of the asset rather than pursue the highest returns available.

The Council had taken advantage of the rising interest rates in the year and interest earned on day-to-day investments was forecasted to be £5.309m against a budget of £2.685m, an over performance of £2.624m. This additional investment income could therefore be invested into Council activities.

Members were informed that the achievement of savings on the cost of financing the Council's debt through repayment, conversation and rescheduling, together with interest earned by investing short term cash surpluses, was a crucial part of the Council's medium term financial strategy. This would be carefully balanced against the level of risk incurred.

## **RESOLVED**

**That the report be noted.**

## **21. INTERNAL AUDIT PROGRESS REPORT TO OCTOBER 2023**

Consideration was given to a report of the Head of Assurance which provided an update on Internal Audit's progress against the Internal Audit Plan as at 31 October 2023.

Members were informed that progress was slower than anticipated during this period due to time spent finalising 2022/23 reports and providing the annual opinion and draft plan. Resource issues were experienced within the Assurance team but plans were in place to procure services from a co-sourced partner. Members were pleased to welcome the new permanent Head of Assurance who joined in October 2023.

A summary of progress against the plan during this period was appended to the report at appendix 1. There were no specific issues that were highlighted through the work undertaken by Internal Audit during the period. It was explained that a new system for reporting was being introduced and a system for audit follow up which targeted audit resources to areas of most significant / material risk. A review of previous audits had been undertaken which identified those audit recommendations which remained open. Managers would be asked to confirm the implementation status of their medium priority recommendations and audit would sample test evidence of implementation of highs to establish a baseline position. An update would be provided at the next reporting period.

It was further explained that the following progress had been undertaken during the period:

- Implementation of a new terms of reference and reporting format (dashboard system) based on best practice.
- New priority and assurance ratings.
- New approach followed up.
- Implementation of co-sourced arrangement with STAR procurement. South West Audit Partnerships (SWAP) had been appointed for a year to deliver up to @ 100 days.
- New permanent Head of Assurance commenced on 23 October 2023.
- Commenced view of Audit Manual and Charter in preparation for external PSIAS assessment.
- Delivered training session to auditors (12 September 2023).
- Review of customer satisfaction process in progress.

Wide ranging discussion ensued in respect of the report and Members discussed the importance of the inclusion of age analysis within each recommendation and requested that this be included within future reports in order to monitor progress.

## **RESOLVED**

**That the report be noted.**

## **22. ANNUAL GOVERNANCE STATEMENT ACTIONS FOLLOW UP**

A report was submitted by the Director of Resources which presented the Audit Panel with an update to the Annual Governance Statement Action Plan as requested at the last meeting of the Panel on 1 August 2023, and in accordance with best practice.

Members were provided with Annual Governance Statement in appendix 1 of the report which included the improvement identified for implementation in 2023/24. The Director of Resources summarised each area of review and provided members with an update on the improvement and implementation.

Detailed discussion ensued with respect of the report and Members requested further information be provided in respect of when implementation and improvements of each area of review were due.

## **RESOLVED**

**That the report is noted**

## **23. STRATEGIC RISK MANAGEMENT UPDATE (QUARTER TWO)**

Consideration was given to a report of the Head of Assurance / Risk, Insurance and Information Governance Manager which presented the Council's strategic risk management update (quarter two) and included a refresh of the Risk Management Policy & Strategy.

As reported at the last Audit Panel meeting, members were advised that the 'three lines' had been introduced as part of a number of enhancements to the Council's risk management arrangements as part of the Council's wider embedding of the assurance model. It was reported that good progress against the action plan reported at the last Audit Panel had been made and the progress was summarised to Members. Members were advised that following approval by the Panel and subject to any amendments, the risk management policy and strategy would be considered by Executive Board.

It was reported that the risk management policy and strategy 2021-23 had been refreshed and the key changes, which were included at appendix 1 of the report, were summarised:

- Updated role titles e.g., Head of Assurance, Assurance Team and refreshed roles and responsibilities in line with best practice.
- Inclusion of new governance arrangements were in place e.g., Assistant Directors Delivery Group, Strategic Risk Management Group.
- Update of risk management arrangements at 3.2 of the document to include the four T's (tolerate, treat, transfer, terminate) and a working description of the 'three lines approach'.
- A new risk appetite statement at Appendix C.

Members were provided with an updated strategic risk register for Quarter 2 at appendix 2 of the report and the Head of Assurance summarised any changes that had been made to the register. Detailed discussion ensued in respect of the report and in particular risk 4 which had been given a red RAG rating. The Head of Assurance advised that this will be highlighted to SLT in order to provide Members of the Audit Panel with a further update.

### **RESOLVED**

**That the report be noted.**

## **24. CIPFA AUDIT COMMITTEE EFFECTIVENESS - SELF-ASSESSMENT**

Consideration was given to a report of the Chair of the Audit Panel. The report advised members of the proposed draft annual self-assessment checklist which was provided to the Panel at appendix 1 of the report.

It was explained that CIPFA had published an updated Statement and Guidance and the new guidance included improvement tools for the Committee to use in order to inform an evaluation of the Committee's effectiveness.

Members were advised that the self-assessment was circulated to Audit Panel members on 26 September 2023 by the Former Chair of the Audit Panel and requested that comments be returned by 13 October 2023. The comments that were received were incorporated into the draft checklist that was appended to the reported at appendix 1.

The proposed improvements following Members' comments were summarised to the Panel and it was suggested that the Audit Panel monitored the improvement against these actions towards the end of the municipal year as it continued improve into 2023/24.

### **RESOLVED**

**That the Audit Panel discuss and agree the proposed draft annual self - assessment checklist and any actions required to improve effectiveness.**

## **25. AUDIT PANEL WORK PROGRAMME 2023/24**

Consideration was given to a report of the Head of Assurance which detailed the Audit Panel's Work Programme for 2023/24.

To assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2023/24, which set out the areas that should be considered by the Audit Panel. The work plan provided at Appendix 1 listed the items that Audit Panel would discuss for 2023/24.

### **RESOLVED**

**That the report is noted.**

## **26. URGENT ITEMS**

There were no urgent items for consideration.

## **27. DATE OF NEXT MEETING**

That the next meeting of the Audit Panel Group is scheduled to take place on 1 February 2024, be noted.