

AUDIT PANEL

1 February 2024

Commenced: 14:00

Terminated: 14:50

Present: Councillors Fitzpatrick (Chair), Boyle, Bray, Kitchen, McLaren and Smith
Ian Duncan (Independent Member)

In Attendance:

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

Apologies for Absence: Councillor Billington and Stuart Fair (Independent Member)

28. DECLARATIONS OF INTEREST

There was no declarations of interest.

29. MINUTES

The minutes of the Audit Panel meeting on the 21 November 2023 were approved as a correct record subject to the following amendment:

Minute 24 which read as:

RESOLVED

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

Being amended to:

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

30. TAMESIDE AUDIT COMPLETION REPORT 2021/22 (ACR)

Consideration was given to a report of the external auditors Mazars, summarising the approach, planning and findings related to the audit of the 2021/22 Statement of Accounts. The 2021/22 Audit Completion Report was issued as part of the completion of the external audit.

Members were advised that Mazars had substantially completed their audit in respect of the financial statements for the year ended 31 March 2022. An Audit Completion Report 2021/22 for TMBC was attached at appendix 1 and Members were further provided with an updated Audit Completion Report which included updated management responses.

With regards to significant findings, Mazars reported that their work on management override of controls and valuation of surplus assets was completed and Members were pleased to hear that there was no matters to be brought to the Panel's attention.

As reported previously, Mazars explained that the Council's accounts contained material balances and disclosures relating to its holding of property, plant and equipment ("PPE") including investment properties, with the majority of property assets required to be carried at valuation. Mazars identified errors in the inputs used in the valuer's calculations and it was explained that the work carried out by Mazars' valuation team identified differences between the land values used by the valuer and available comparable data. It was explained that the land values for 2021/22 and 2022/23 had been reviewed by both finance and estate teams, and challenged where appropriate based on unusual or unexpected movements, or where contradictory to other market data such as sales prices available to estates. Mazars reported that through audit testing of valuations in 2021/22, there were no issues identified with land values and therefore Mazars advised that they were satisfied that this recommendation was appropriately implemented by management.

Mazars informed the Panel the new Section 151 Officer (February 2022) was working closely with Mazars to understand the improvements required going forward and was supportive in driving the 2021/22 audit forward in order to be back on track with the delivery of audit on time. In regards to the Value for Money Conclusion, the Section 151 Officer assured Members that the Council's Value for Money self-assessment was completed and would be circulated to Mazars as soon as possible. Members were advised that Mazars' would complete their final review of the statements upon receipt of the signed version of the accounts and letter of representation.

Detailed discussion ensued with regards to the report and the outstanding matters included within the report. Members discussed the various audit areas including PPE and the impact of RAAC on the asset portfolio. Discussion ensued in respect of this and it was explained that further information from surveyors would be provided to Mazars.

RESOLVED

- (i) To note the content of the 2021/22 Audit Completion Report at Appendix 1; and**
- (ii) To approve the updated Annual Governance Statement at Appendix 2 following the conclusion of the 2021/22 audit.**

31. GMPF AUDIT COMPLETION REPORT 2022/23 (ACR)

Consideration was given to a report of the external auditors Mazars, highlighting the key matters arising from the 2022/23 financial statements for the Greater Manchester Pension Fund (GMPF).

An Audit Completion Report for the Greater Manchester Pension Fund for year ended 31 March 2023 was attached at Appendix 2. Mazars reported that they had substantially completed their audit in respect of the financial statements for the year ended 31 March 2023 and there were no matters which Mazars were aware of, that required modification of their audit opinion. Mazars further expressed their thanks to GMPF officers for their co-operation during the course of the audit.

Members of the Panel were advised 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.

Mazars advised the Panel with regard to internal control recommendations and summarised their findings in relation to audit misstatements which included unadjusted misstatements totalling £70m. As reported previously, the unadjusted item was the estimation of a potential error in the valuation of level 3 investments. Mazars explained that their estimate was driven by known differences identified in a sample of investments selected for detailed testing. The differences within the sample arose due to a timing difference between information used by the Fund to prepare accounts and be information available at the time of sample testing. However, Members were advised that this was below the materiality threshold and therefore GMPF had not adjusted for this misstatement based on immateriality.

RESOLVED

That the report be noted.

32. STATEMENT OF ACCOUNTS 2021/22

Consideration was given to a report of the First Deputy (Finance, Resources & Transformation) / Director of Resources. The report presented the Statement of Accounts for Tameside MCB and the Greater Manchester Pension Fund for year ended 31 March following completion of the External Audit.

It was explained that the Statement of Accounts 2021/22 provided full details of the Council's financial position at 31 March 2022 and its income and expenditure for the year there ended. The accounts were prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting, which was based on International Financial Reporting Standards. The full financial statements, including the statements for the GMPF, were included at Appendix 1.

As considered earlier on the agenda in the Audit Completion Report, details of the misstatements and the impact on different elements of the financial statements were discussed. The Director of Resources summarised the main misstatements to the Panel, which included unadjusted and adjusted misstatements.

It was explained that a number of other presentational amendments had been made to the Statement of Accounts which improved the presentation and disclosure of financial information requirements of the CIPFA Code of Practice. The presentational adjustments recommended by external audit had also helped to improve the overall quality of accounts and had not impacted on the financial position reported.

Members were advised that the external audit of the Statement of Accounts was substantially completed but subject to final review, conclusion of the Value for Money Assessment and completion procedures by External Audit. The Director of Resources advised that the Value of Money assessment was ready to go subject to final review.

RESOLVED

That the Audit Panel are asked to:

- 1. Note the findings of external audit reported in the previous agenda item and summarised in section 3 below;**
- 2. Approve the Statement of Accounts for 2021/22, subject to the conclusion of the external audit, noting the ongoing work on Value for Money; and**
- 3. Approve delegated authority to the Director of Resources to agree any further presentational amendments to the financial statements arising from the conclusion of the external audit. In the unlikely event of any substantive amendments to the primary statements, these will be discussed with the Chair of Audit Panel prior to the signing and publication of the final audited Statement of Accounts.**

33. TREASURY MANAGEMENT STRATEGY 2024/25

Consideration was given to a report of the Director of Resources. The report detailed the Treasury Management Strategy for 2024/25.

The Panel were advised that the Treasury Management service was an important part of the overall financial management of the Council's affairs. At 31 December 2023 the Council had £121m of investments which needed to be safeguarded and £139m of long term debt, which had been accrued over the years to help to fund the Council's capital investment programmes. The significant size of these amounts required careful management to ensure that the Council met its balanced budget requirement under the Local Government Finance Act 1992. Generating good value for money was

therefore essential, in terms of both minimising the cost of borrowing and maximising the return on investments.

It was explained that the Council's current strategy was to maintain borrowing and investments below their underlying levels, known as internal borrowing. The strategy of internal borrowing was beneficial as the interest charged on borrowing was greater than that available on investments, and also had the benefit of reduction to the Council's exposure to counterparty credit risk. It was reported that it was not anticipated that any further borrowing would be taken up in the short term.

Under the Local Government Act 2003, the Department for Communities and Local Government issued in March 2010 revised "Guidance on Local Government Investments". The 2003 Act requires an authority "to have regard" to this guidance. Part of this guidance was that "A local authority shall, before the start of each financial year, draw up an Annual Investment Strategy for the following financial year, which could vary at any time. The strategy and any variations were to be approved by the full Council and were to be made available to the public." This strategy was provided to Members of the Panel at Appendix 1.

RESOLVED

That the Treasury Management Strategy for 2024/25 be noted.

34. CAPITAL STRATEGY 2024/25

Consideration was given to a report of the Director of Resources, which detailed the Capital Strategy for 2024/25.

It was explained that the CIPFA Prudential Code (revised 2021) required that the Council produced an annual Capital Strategy. The Strategy was the Council's framework for the allocation and management of capital resources within the authority, which took into account the Council's key priorities in the Corporate Plan. This formed a key part of the Council's integrated revenue, capital and balance sheet planning with a view towards deliverability, affordability, sustainability and risk.

It was reported that the Council maintained a three year Capital Programme, which covered the periods 2023/24 to 2025/26. This was updated annually during the budget process in February and quarterly during the year. As at December 2023, the Programme had a total value of £116m, which included both fully approved and earmarked schemes. Members were provided with a summary of the Programme at Appendix 1A of the report.

Members were provided with the main objectives of the Council's Capital Strategy and how this linked to the Council's Corporate Plan, "Our People, Our Place, Our Plan". It was explained that the Strategy demonstrated that the Council continued to work closely with a variety of partners to obtain quality projects and maximise potential resources in the achievement of its aims. The Council further encouraged the continued exploration of securing external funding, the examination of different forms of procurement and maintaining current levels of innovation.

Members were further informed that the Council had a good framework in place to achieve its strategy and would strive to achieve continual improvement on a number of its planning processes within the main objectives. Members were assured that this would be monitored and reviewed by the Strategic Planning and Capital Monitoring Panel.

RESOLVED

That the Capital Strategy for 2024/25 is approved.

35. STRATEGIC RISK MANAGEMENT UPDATE (QUARTER 3)

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 three).

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.

The Head of Assurance summarised the various updates on the improvements set out in the action plan at the last Audit Panel. In relation to Directorate Risk Registers, it was reported that each Directorate had commenced the process and compiled their Risk Registers to include the '3 lines' and Members were advised that good progress had been made in relation to this.

It was explained that the strategic risk register had been updated for Quarter 3 (January 2024) and this was provided to Members at Appendix 1 which included updated comments.

RESOLVED

That the report be noted.

36. INTERNAL AUDIT PROGRESS REPORT – DECEMBER 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 December 2023.

As advised at previous meetings, it was explained that progress had been slower than anticipated due to resourcing issues. The Head of Assurance reported that much of the early part of the year was spent finalising 2022/23 reports and providing the annual opinion and draft plan.

Members were provided with the 2022/23 reports that were completed in 2023/24 at appendix 1 of the report. It was reported that progress was made on the recruitment of an Interim Audit Manager whilst a Service Review was completed. The contract with SWAP was in progress flexed to provide additional work to be completed as soon as possible.

The summary of progress against the 2023/24 plan was detailed at Appendix 2. Members were provided with the overall assurance rating and audit findings, together with recommendations for action and management responses which were set out within Internal Audit's reports.

Members were advised that the Council was committed to providing effective counter fraud arrangements and ensured that there were adequate measures in place which prevented, detected and investigated fraud corruption. It was reported that internal audit had two counter fraud specialists who facilitated the co-ordination of the GMPF's counter fraud activities. A summary of the work undertaken on unplanned / irregularity / fraud referrals during the period was detailed at Appendix 3.

It was explained that no specific issues had been highlighted through the work undertaken by Internal Audit during this period. A reduction in the number of open recommendations was evident and the Head of Assurance summarised the current figures for outstanding recommendations that had passed their due date for implementation.

As previously reported to the Panel, a root and branch review of audit practice was undertaken as part of the implementation of the assurance model and this progress was reported to the Panel in November 2023. A review of the assurance ratings had commenced since the permanent Head of Assurance commenced in post. The proposed priority and assurance ratings were provided to Members at Appendix 8 and this was to be adopted from the next financial year.

Members were advised that to ensure the quality of the work performed, Internal Audit had a programme of quality measures which included:

- Supervision of staff who conducted audit work;

- Review of files of working papers and reports by managers;
- Regular networking with professional / technical bodies and peers.

Detailed discussion ensued in relation to the report and the Head of Assurance confirmed that risk-based arrangements regarding Adult Social Care were no longer on hold. Members further felt compliance on findings and recommendations should be implemented by the relevant officers as soon as possible.

RESOLVED

That the Audit Panel note the progress report at Appendix 1.

37. COUNTER FRAUD APPROACH AND UPDATE

Consideration was given to a report of the Head of Assurance. The report presented the refreshed Counter Fraud Approach which included a Counter Fraud Policy, Strategy and Action Plan. Members of the Audit Panel were further provided with a counter fraud update, refreshed Anti-Money Laundering Policy and the new Prevention of Tax Evasions Policy.

Members were advised that the Council's Counter Fraud approach was in need of review and had undergone a major refresh in order to ensure that it was fit for purpose. The new Counter Fraud approach included a refreshed Policy and Strategy, together with an Action Plan, which had been drafted with the aim to tackle the threat from fraud, bribery and corruption.

It was explained that the new approach considered the Fighting Fraud & Corruption Locally (FFCL) Strategy for the 2020's, which was aimed at council leaders, chief executives, financial directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. The Strategy included the Five Pillars Framework which showed the vital components of an effective and proactive response to the risks:

- Govern;
- Acknowledge;
- Prevent;
- Pursue;
- Protect.

The Counter Fraud Strategy was accompanied by a Counter Fraud Action Plan and the aim of the action plan was to set out high level actions for the Assurance function to embed the new Strategy. The high level action plan was supported by an operational plan which aimed to deliver the new approach, and these actions were subject to regular review and monitoring by the Head of Assurance.

Members were provided with analysis of the movement and 2023/24 activity in cases for the last three months. Of the 74 cases dealt with this year, it was reported that 49 were investigations with the remaining 25 being cases that related to services that required assistance. Members were advised that there were 20 open cases and a breakdown of open cases for the last four months by fraud type was provided within the report.

RESOLVED

That the Audit Panel approve the report.

38. 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.

Discussion ensued in relation to the report and highlighted the benefits that a private meeting with the Internal and External Auditors provided for good practice.

RESOLVED

That the report is noted.

39. URGENT ITEMS

There were no urgent items for consideration.

40. DATE OF NEXT MEETING

That the next meeting of the Audit Panel was scheduled to take place on 12 March 2024, be noted.

CHAIR