

Report To:	AUDIT PANEL
Date:	29 July 2019
Reporting Officer:	Kathy Roe – Director of Finance Sandra Stewart – Director of Governance and Pensions
Subject:	MAZARS – ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019
Report Summary:	Mazars as part of their risk assessment procedures are required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern considerations as part of their annual audit. The report presents the response to the letters and questionnaires received from Mazars in respect of Greater Manchester Pension Fund for consideration by the Panel ahead of the document being signed by the Chair of the Audit Panel, Chair of Pensions Panel and the Director of Finance.
Recommendations:	That members comment and challenge the responses detailed in Appendices A and B , so that the schedules can be signed by both the Chair of the Audit Panel and the Director of Finance ahead of them being provided to Mazars.
Corporate Plan:	The Report demonstrates the Council, including Greater Manchester Pension Fund, is committed to high levels of Corporate Governance.
Policy Implications:	External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by Section 151 Officer)	There are no direct financial implications.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the International Auditing Standards.
Risk Management:	Ensuring that the Council meets the required standards in terms of management assurance in relation to fraud risk assessment, laws and regulations and going concern considerations supports corporate governance objectives and ensures risk is minimised.
Access to Information:	The background papers can be obtained from the author of the report, Paddy Dowdall, Assistant Executive Director (Pensions) by:  Telephone: 0161 301 7140  e-mail: paddy.dowdall@tameside.gov.uk

1 INTRODUCTION

- 1.1 To comply with International Auditing Standards, Mazars need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with the law and regulation. They are also required to make inquiries of both management and the Governing Body as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 International Auditing Standards also place certain obligations on auditors to document management's view on some key areas affecting the financial statements.
- 1.3 The three specific areas covered are Fraud Risk Assessment, Law and Regulation and Going Concern Considerations.

2 ASSURANCE FROM AUDIT PANEL CHAIR, PENSIONS PANEL CHAIR AND MANAGEMENT

- 2.1 A letter was sent to the Chair of the Audit Panel and Chair of Pensions Panel requesting responses to a number of questions as follows:
 - How do you exercise oversight of management's processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and
 - communicating to you the processes for identifying and responding to fraud or error.
 - How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2018/19? If so, please provide details.
 - How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19? If so, please provide details.

In addition to the above, which cover the Council's (including the Pension Fund) processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

- 2.2 **Appendix 1** details the responses to the questions posed in 2.1 above.
- 2.3 A letter was also sent to the Director of Finance requesting responses to a number of questions.
 - What processes are in place at the Council to:
 - undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
 - identify and respond to risks of fraud;

- communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct); and
 - communicate to the Audit Panel the processes for identifying and responding to fraud or error.
- How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?
- Are there any actual or potential litigation or claims that would affect the financial statements?
- What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.

In addition to the above, which cover the Council's processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

2.4 **Appendix 2** details the responses to the questioned posed in 2.3 above.

3 RECOMMENDATION

3.1 As set out on the front of the report.