

AUDIT PANEL

29 July 2019

Present: Councillors Ricci (Chair), Cartey, Fairfoull, J Homer and Dickinson

In Attendance:

Steven Pleasant	Chief Executive
Kathy Roe	Director of Finance
Sandra Stewart	Director of Governance and Pensions
Tom Wilkinson	Assistant Director of Finance
Paddy McDowdall	Assistant Director Local Investments and Property (Greater Manchester Pension Fund)
Karen Murray	Mazars
Stephen Nixon	Mazars

Apologies for Absence: Councillors J Fitzpatrick, Kitchen and Ryan

11. DECLARATIONS OF INTEREST

There were no declarations of interest.

12. MINUTES

Consideration was given to the minutes of the meeting of the Audit Panel held on 4 June 2019. It was noted that the attendance of Karen Murray and Stephen Nixon of Mazars were in attendance at the meeting.

RESOLVED

That with the amendment stated above the minutes of the meeting of the Audit Panel held on 4 June 2019 be approved as a correct record.

13. MAZARS - ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019

Consideration was given to a report of the Director of Finance / Director of Governance and Pensions presenting 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.

As the Council's external Auditor, 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. Mazars had written 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);
- 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.

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.

The responses to both sets of questions were contained within the submitted report and considered by the Audit Panel.

RESOLVED

That the response letters be signed by the Chair of the Audit Panel and the Director of Finance.

14. EXTERNAL AUDIT COMPLETION REPORT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance highlighting the annual Value for Money conclusion and the key matters arising from Mazars' external audit of the year ending 31 March 2019 financial statements for both Tameside MBC and the Greater Manchester Pension Fund.

Members were reminded that under the Audit Commission's Code of Audit Practice the External Auditors were required to report whether, in their opinion, the Council's financial statements presented a true and fair view of the financial position and expenditure and income for the year and whether the statements had been prepared properly in accordance with the CIPFA Code of Practice on Local Authority Accounting.

The External Auditors were also required to consider other information published together with the audited financial statements and whether it was consistent with the financial statements and in line

with required guidance and whether the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

It was reported that the Audit of the Council's accounts had been completed and Mazars had issued an unqualified audit opinion. There were three non-trivial amendments to the Council's financial statements as set out in the Audit Completion Report, two of which are prior period adjustments. The two amendments relate to prior periods and adjustments had been made to Heritage Assets and Assets under Construction in respect of previous years. An amendment had been made to the balance sheet at 31 March 2019 in respect of Investment Properties. The Audit Completion Report included three unadjusted misstatements. These items had not been amended in the financial statements due to their nature or value.

Mazars were required to provide a value for money conclusion to evaluate whether 'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for tax payers and local people.' Mazars had focused their work on the Council's response to the OFSTED inspection of Children's Services in December 2016. The Audit Completion Report summarised the work undertaken and the conclusions reached. An unqualified Value for Money Conclusion had been issued stating that the Council had proper arrangements in place to secure value for money.

RESOLVED

- (i) That both the proposed adjustments and unadjusted items in the Tameside MBC accounts relate to accounting adjustments which do not have any impact on the Council's General Fund or Usable reserves.**
- (ii) That the adjustments and presentational changes to the accounts, as detailed in in the Audit Completion Reports (Appendix 1 – TMBC, Appendix 2 – GMPF); be approved.**
- (iii) That the unadjusted misstatements set out in the TMBC Audit Completion report (Appendix 1) are not material to the financial statements and do not require amendment be approved.**
- (iv) That the Unqualified Value for Money Conclusion included in the Tameside MBC Audit Completion report (Appendix 1) be noted.**
- (v) That the Audit Panel confirms the Council has complied with all matters set out in the Letters of Representation and a signed copy be provided to the External Auditor.**

15. STATEMENT OF ACCOUNTS 2018/19

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance that sought approval of the Council's and the Greater Manchester Pension Fund's audited statement of accounts for the year ending 31 March 2019. It was noted that once approved there was a statutory requirement for the accounts to be published by 30 September 2019.

The Statement of Accounts 2018/19 provided full details of the Council's financial position at 31 March 2019 and its income and expenditure for the year there ended. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.

As detailed in the presentation of the external audit completion report three amendments have been made to the financial statements. Two amendments relate to prior periods and adjustments have been made to Heritage Assets and Assets under Construction in respect of previous years. An amendment has been made to the balance sheet at 31 March 2019 in respect of Investment Properties. A small number of presentational amendments have also been made but no changes have been required that fundamentally alter any assessment of the Council's financial position at 31 March 2019 or its income and expenditure for the year then ended.

RESOLVED:

- (i) That the findings of external audit, the amendments to the accounts and unadjusted misstatements as reported by the external auditor be noted.**
- (ii) That approval be given to the Statement of Accounts for 2018/19.**
- (iii) That delegated authority be approved for the Director of Finance in consultation with the Chair of the Audit Panel to agree any further presentational amendments to the financial statements arising from the conclusion of the external audit.**

16. ANNUAL GOVERNANCE STATEMENT 2018-19

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance seeking approval of the Annual Governance Statement for 2018/19. Regulation 6 of the Accounts and Audit Regulations 2015 required Authorities to conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, the body must approve an Annual Governance Statement prepared in accordance with proper practices in relation to internal control'.

The Annual Governance Statement, which covered both Tameside MBC and the Greater Manchester Pension Fund, was based on the following:

- Executive Director Assurance Self-Assessments and signed Assurance Statements;
- Head of Audit's Annual Report;
- Review against the Code of Corporate Governance;
- Review of System of Internal Audit;
- Annual Audit Letter;
- Review of the Role of the Chief Financial Officer;
- Review of the Role of the Head of Internal Audit;
- Corporate Plan;
- Statutory Inspections.

RESOLVED:

- (i) That the Annual Governance Statement for 2018/19 be approved.**
- (ii) That the Director of Finance, in consultation with the Chair of the Audit Panel, be approved to amend the submitted Annual Governance Statement upon receipt of further comments from External Audit.**

17. TREASURY MANAGEMENT OUTTURN 2018/19

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Assistant Director of Finance which set out the Treasury Management activities for the financial year 2018/19, in accordance with CIPFA's Code of Practice on Treasury Management, the Council's Financial Regulations and the CIPFA Prudential Code. The report was in respect of both Tameside and the Greater Manchester Metropolitan Debt Administration Fund, which is the former Greater Manchester County Council Debt of which Tameside is the responsible Authority on behalf of the ten Greater Manchester Councils.

In relation to Tameside MBC it was reported that as investment interest rates were lower than external borrowing rates throughout the year, available cash reserves were used to fund internal borrowing on a temporary basis. This resulted in lower than anticipated borrowing costs, with an overall interest saving of £1.326m, mostly due to the decision not to take up any borrowing in year. At year-end the total investment balance was £105m and total long term borrowing was £111m. Investment income was £1.721m.

At the start of the financial year the Council sets Prudential Indicators and limits in respect of Capital expenditure and borrowing. The outturn position for the Prudential Indicators were detailed within Appendix A of the submitted report.

Members were informed that the Greater Manchester Metropolitan Debt Administration Fund incurs no capital expenditure, and therefore the total debt outstanding reduces annually by the amount of debt repaid by the constituent authorities. During 2018/19 the debt outstanding reduced by £17.699m. The debt will be fully repaid by 31 March 2022.

RESOLVED

- (i) That the treasury management activities undertaken on behalf of both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund be noted.**
- (ii) That the outturn position for the prudential indicators as detailed in Appendix A of the submitted report, be noted.**

18. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JUNE 2019

Consideration was given to a report of the Head of Risk Management and Audit Services, 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 report set out the key priorities of the service unit for 2019/20 were highlighted and included:-

- To work with the Single Leadership Team to review the Corporate Risk Register and link it to the updated Corporate Plan Themes and Priorities.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with all Data Protection legislation.
- Following the review of Business Continuity Plans across services, work will be concentrated on producing the Corporate Business Continuity Plan and determining how to introduce a testing regime for both service plans and the corporate plan in response to a major incident.
- To work with our Insurance Brokers to compile all the information needed for the Insurance Tender so that the contract can be awarded by 1 April 2020.
- To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

Following approval of the Audit Plan at the meeting of the Audit Panel on 4 June 2019, Members were provided with a summary of the work undertaken to 30 June 2019.

RESOLVED

That the report be noted.

19. AUDIT PANEL FORWARD PLAN

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance, which set out a proposed forward plan and training programme for the Audit Panel.

The Audit Panel is the Committee of Tameside Council that undertakes the role of the Audit Committee. The Chartered Institute of Public Finance and Accountancy (CIPFA) recently issued an updated position statement on the role of the Audit Committee in Local Government. This sets out the core functions of the Audit Committee, which should include:

- To be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives;
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework;
- Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations;
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption;
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process;
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

To assist the Audit Panel with delivering its terms of reference, a proposed work plan for the year had been included at Appendix 3 of the submitted report. The work plan set out the areas that should be considered by the Audit Panel and identifies proposed training for the coming year.

RESOLVED

- (i) That the frequency and timing of Audit Panel meetings, and the proposed work programme, including training, as set out in Appendix 3 be approved.**
- (ii) That the CIPFA Statement on the role of the Audit Committee (Appendix 3) be noted.**

CHAIR