

AUDIT PANEL

10 March 2020

Present: Councillors Ricci (Chair), Fairfoull, J Fitzpatrick, J Homer, Kitchen, Ryan and Dickinson

In Attendance:	Sandra Stewart	Director of Governance & Pensions
	Tom Wilkinson	Assistant Director of Finance
	Heather Green	Finance Business Partner
	Wendy Poole	Head of Risk Management & Audit Services
	Stephen Nixon	Mazars
	Karen Murray	Mazars

Apologies for Absence: Councillors Cartey

28. DECLARATIONS OF INTEREST

There were no declarations of interest.

29. MINUTES

The minutes of the meeting if the Audit Panel held on 14 November 2019 were approved as a correct record.

30. CIPFA – FRAUD AND CORRUPTION TRACKER REPORT FOR TAMESIDE

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services, which advised Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud and Corruption Tracker 2019 for Tameside.

The report compared Tameside to other Metropolitan Unitaries, it focused on common fraud types specific to local authorities. It was explained that the response rate for Metropolitan Unitaries was 50% and the highest response rate came from the London and County authorities. Members received a detailed breakdown of the fraud reported together with the value and number of cases for Tameside compared to the average for Metropolitan Unitaries. In total, Tameside received a value on £132.1k from 13 cases compared to an average of £803.7k from an average of 95 cases.

It was reported that many organisations have the ability to undertake sanctions against those who commit fraud whether via the police, the Crown Prosecution Service or in-house Lawyers. Members received an analysis of the sanctions taken by Councils during 2018/19 compared to Tameside MBC. It was reported that in terms of the Proceeds of Crime Act, Tameside was awarded by the courts through POCA £136k whereas the Metropolitan Unitaries average was £20k. The monies actually received through POCA by Tameside was £0k the Metropolitan Unitaries average was £9k.

It was stated that CIPFA estimated that for local authorities in the UK that the total value of fraud detected or prevented in 2018/19 was approximately £253m, averaging roughly £3,600 per fraud case. In 2017/18 there was an estimated value of £302m with a similar average of £3,600 per case detected or prevented. The report identified that the highest perceived fraud risk areas for 2018/19 were Procurement, Council Tax Single Person Discount; and Adult Social Care. In terms of actual fraud being tackled by local authorities, the major fraud areas were: Council Tax; Disabled Parking; Housing; and Business Rates.

The CIPFA fraud and corruption tracker summary report 2019 made the following recommendations: the Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes; fraud prevention should be embedded in 'business as usual' across an entire organisation to improve the effectiveness of preventative measures; all staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls; all organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams; public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts; and here counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (i.e. between housing, IT (cyber security), revenues, etc.) and for some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group.

It was explained that the CIPFA fraud and corruption tracker report and summary report would be used to inform the work plan of the Risk Management and Audit Team for 2020/21 in terms of proactive fraud work and the Internal Audit Plan as it would be important to learn how and why fraud occurs in order to be able to ensure robust controls were in place without Tameside's systems to minimise the future occurrence of known frauds.

RESOLVED

That the report be noted.

31. PROCUREMENT GUIDANCE FOR COUNCILLORS

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services, which advised Members of the report produces by the Local Government Association and published 2019.

It was reported that the Local Government Association had worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enabled councils to set their own objectives and measure their own progress. The National Procurement Strategy put the councillor role front and centre and the guidance had been produced specifically for them. Further, to accompany the guidance the LGA had developed an online quiz for Councillors to help Councillors take stock of their own knowledge.

RESOLVED

That the report be noted.

32. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2020/21

Consideration was given to a report of the Head of Risk Management and Audit Services, which presented the planned work for the Risk Management and Audit Service for 2020/21.

Members were given a detailed outline of the planned number of days that would be spent in each Service Area / Directorate. A total of 1,510 days were planned for 2020/21, of which 320 were for the Greater Manchester Pension Fund, 310 days were planned for investigations and 304 on assurance. The Annual Audit Plan detailed had been balanced to resources available. However, productive days were estimated and any changes to the assumptions would be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board. It was explained that in previous years the demand for audit work had exceeded the days available and therefore the Annual Audit Plan for 2020/21 presented for approval included only mandatory and high risk audits.

The Head of Risk Management and Audit Service explained that during 2019/20 a service review of the Risk management and Insurance team was undertaken and the number of posts increased from two to four. Recruitment has commenced and appointments have been made to two of the posts. One post holder would commence in Late March and the other in May. The third post had been re-advertised. Members received an outline of the key priorities for the team during 2020/21.

Members were advised that National Anti-Fraud Network would continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs were met in response to changing legislation. The Head of Risk Management and Audit who continues to Chair the NAFN Executive Board would work with the NAFN Team at Tameside to ensure the key priorities were delivered.

It was stated that the performance of the Risk Management and Audit service would continue to be monitored via monthly progress meetings. Members received an outline of the performance indicators. The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes would be agreed with relevant managers and Executive Members where appropriate and would be brought to the Panel for approval.

RESOLVED

- (i) Members approve the Draft Internal Audit Plan for 2020/21 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network.**
- (ii) Members approve the Audit Strategy for 2020/21 shown at Appendix 2.**
- (iii) Members approve the Audit Charter for 2020/21 shown at Appendix 3.**
- (iv) Members approve the Quality Assurance and Improvement Programme for 2020/21 shown at Appendix 4.**

33. ANNUAL GOVERNANCE STATEMENT 2018/19 – IMPROVEMENT PLAN PROGRESS UPDATE

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services.

The preparation and publication of an Annual Governance Statement was necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It 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 was presented to the Audit Panel on 4 June 2019 as a draft document for review and comment and presented as a final document for approval on 29 July 2019.

Members of the Panel were advised that in Section 5 of the Annual Governance Statement a number of areas for development were identified and were appended to the statement in a development plan. Addressing the issues identified would further enhance the governance framework in place for the Council. Members received a progress report for each development as at February 2020 and confirmation that work was progressing in all areas.

RESOLVED

That the report be noted.

34. RISK MANAGEMENT AND AUDIT SERVICES PROGRESS REPORT – APRIL TO DECEMBER 2019

Consideration was given to a report of the Head of Risk Management and Audit Services, which sought to advise members of the work undertaken by the Risk Management and Audit Service between April and December 2019 and to comment on the results.

Members of the Panel were advised that the Audit Plan approved on the 4 June 2019 covered the period April 2019 to March 2020 and totalled 1,515 days, this was revised at the November meeting to 1,503 days to take account of some in year high priority requests. The plan had been further revised to balance the planned days to resources available to the end of the financial year and reduced to 1,395 days made up of 1,055 days of planned audits and 240 days on reactive fraud work/investigations. Members received a summary of the progress to 31 December 2019 detailed within the Annual Audit Plan Summary 2019/2020 table.

It was explained that as part of the review a number of audits in the revised plan approved in November 2019 would not be completed in year due to service reviews, capacity issues in services and revised priorities identified by management. Further the days to be delivered in Quarter 4 exceeded available resourced by approximately 59 days and therefore a number of audits would need to be carried forward and completed in 2020/21.

It was reported that during Quarter 3, 5 Final Reports were issued in relation to systems and risk based audits, 9 Draft Reports had been issued for management review and responses, these would be reported to the Audit Panel.

The Head of Risk Management and Audit Services advised the Panel as to the number of cases investigated as part of the Irregularities/Counter Fraud work. There had been a total of 12 investigations with a total value of £77,967, £18,691 had been recovered to date, with a potential annual savings of £81,206.

The data sets for the National Fraud Initiative 2018 Exercise were uploaded in October 2018 and initial matches identified for Tameside were received in February 2019. The findings from the NFI were highlighted to the Panel; there had been a Blue Badge saving of £7,475, based on a notional figure of £575 per blue badge error; and investigations undertaken in Quarter 3 had increased the errors identified from 20 with a value of £15,661 to 115 with a value of £264,551.

RESOLVED

That the report and the performance of the Service Unit for the period April to December 2019 be noted.

35. ACCOUNTING POLICIES 2019/20

Consideration was given to a report of the Director of Finance / Assistant Director of Finance, which provided Members of the Audit Panel with the proposed accounting policies for the 2019/20 Statement of Accounts; the critical judgements made in applying the accounting policies; and assumptions made about the future and other major sources of estimated uncertainty within the 2019/20 accounts.

Members were advised 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 2019/20. In undertaking this assessment, a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are 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 2019/20.

The Finance Business Partner explained that the revised accounting standard IFRS16 related to the treatment of assets that were used under lease arrangements. The CIPFA/LASAAC Code Board had determined that the Code of Practice on Local Authority Accounting would adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 would replace the existing leasing standard, IAS 17, and would introduce significant changes to the way the Council accounts for leases from 1 April 2020. The most significant changes will be in respect of lessee accounting. The existing distinction between operating and finance leases would be removed and instead, the new standard would require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.

Work had already been undertaken to identify and assess all lease arrangements in place within the Council. The information gathered was beginning to be assessed to determine the impact on the 2020/21 financial statements.

RESOLVED

That the Audit Panel note that there are no proposed changes to the accounting policies for 2019/20 compared to those adopted for 2018/19; and approve the accounting policies detailed at Appendix 1 to this report.

36. EXTERNAL AUDIT STRATEGY MEMORANDUM

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance which summarised the planned audit approach for the Statement of Accounts 2019/20, highlighting significant audit risks and areas of key judgements for the accounts. The report also set out the key communications during the course of the audit.

Members were advised that based on 2018/19 audited financial statements the overall materiality for the year ending 31 March 2020 was in the region of £10.967m. The significant risks were outlined to Members as the Management override of controls, property plant and equipment valuation and the defined benefit liability valuation. Members heard the testing approach for each significant risk and the planned response.

The key areas of management judgment and enhanced risks were highlighted to the Panel along with the planned response.

The valuation of shareholding in Manchester Airport involves judgement as it was not publicly traded. It was explained that Mazars would review the work of BDO as management's expert used to value the shares held in the Airport and ensure the valuation was properly recorded in the accounts.

The completeness and accuracy of property, plant and equipment (PPE) was identified as an area of management judgement and enhanced risk. Mazars would perform audit procedures to gain assurance over completeness and accuracy of the transition of data to the new fixed asset register.

To address the management judgment on schools, there would be a review of management's assessment of who controls schools within the borough for the purposed of inclusion within the Council's financial statements.

It was stated that the Council's medium term financial strategy for the period 2019/20 to 2023/24 set out the financial challenges it faced. A balanced budget was proposed for 2019/20 after using £9.3m of reserves to fund additional Children's Services pressures, and a savings target of £4m. The budget gap for the remainder of the medium term strategy was significant with a cumulative deficit of £31m by 31 March 2024. There would be a review of the arrangements the Council had put in place for ensuring financial resilience specifically that the medium term financial plan had taken into consideration factors such as future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability. There would also be a review in the arrangements in place to monitor progress

delivering the 2019/20 budget and related savings plans, and how the Council proposed to address the cumulative deficit to 31 March 2024.

RESOLVED

That the report be noted.

37. URGENT ITEMS

There were no urgent items.

CHAIR