

AUDIT PANEL

9 June 2020

Commenced: 14:00

Terminated: 14:35

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

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Kathy Roe	Director of Finance
Tom Wilkinson	Assistant Director of Finance
Wendy Poole	Head of Risk Management and Audit Services

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Audit Panel held on 10 March 2020 were approved as a correct record.

3. AUDIT PANEL FORWARD PLAN AND TRAINING

Consideration was given to a report of the Director of Finance / Assistant Director of Finance which sought approval of the work programme and training set out in the report.

Members of the Panel received the Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on the role of the Audit Committee in Local Government. The position statement was set out in **Appendix 2**.

The Assistant Director of Finance reported that to assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2020/21. The work plan was outlined in **Appendix 3** and set out the areas that should be considered by the Audit Panel and identified proposed training for the coming year. Members of the panel were asked to consider whether any additional items or training was required, with reference to the CIPFA position statement on the role of the Audit Committee.

Members were advised that there were two training sessions planned, one on the statement of accounts and one on risk management. A training session for March still needed to be determined, Members had the opportunity to put forward suggestions by contacting the Assistant Director of Finance.

RESOLVED

Members approved the updated work programme, including training, as set out in Appendix 3.

4. CORPORATE RISK REGISTER UPDATE

Consideration was given to a report of the Director of Finance / Head of Risk Management and audit Services, which presented the Corporate Risk Register for comment and approval.

The Corporate Risk Register detailed the risk scores evaluated both in October 2019 and May 2020. Members were advised that the COVID-19 Pandemic had adversely affected the majority of risk scorings within the risk register due to the uncertainty of the recovery process. Risk Number One had been added in response to the pandemic and was supported by a detailed risk log analysed by the eight Corporate Plan Themes, which would be managed by Board and Senior Management. Risks were categorised into three areas, Release of Lockdown, Living with Covid-19 and Building Back Better.

Work on the format of the risk register had been undertaken; however, work was ongoing to redefine the definitions for Impact and likelihood so that they work for both the Council and the CCG.

A Risk, Insurance and Information Governance Manager had been appointed who has risk management experience at another local authority and so his support with this work would be critical and one of his key priorities.

RESOLVED

Members considered and approved the Corporate risk Register at Appendix 1 and noted the development work detailed in Section 4 of the report.

5. EXTERNAL AUDIT PROGRESS REPORT AND AUDIT STRATEGY MEMORANDUM FOR GMPF

Consideration was given to a report of the Director of Finance, which provided the Panel with an update from External Audit on progress in delivering responsibilities and set out any non-audit assurance work carried out.

Members were advised of the changes to the Audit regime and Councils accounting regime since Covid19. MHCLG had changed the timetable required for the Council to prepare its accounts and put those on deposit so that members of the public could inspect and ask questions. Further, the timetable for when MHCLG would like the timetable to be completed had changed. Members were presented with a diagram of the key audit stages and reporting timeline. Accounts would be required to be ready by August 2020, Completion would be required by November 2020. However, the Panel were informed that the External Audit and Accounting team were working to a much shorter timescale and it was expected that External Audit would receive accounts in the next couple of weeks.

Members were reassured that while all Mazars' staff moved to remote working from the 16 March 2020, they were committed to supporting the Council as best they could.

The Panel received a list of national publications which could be of interest to Members, including recent publications in respect of Covid19. The Fraud control in emergency management could be of interest to those Members on the Audit Panel especially during a situation such as the Covid19 pandemic. The National Audit Office Code of Audit Practice set out the new code governing work of auditors applying from 1 April 2020 for the 2020/21 audit years. In addition, the "Guidance for Councillors, Local Government Association, March 2020" focused on specific issues relating to Members involved in work leading and protecting communities and in delivering of normal services.

Members were presented with the Audit Strategy Memorandum for the Year ending 31 March 2020. The purpose of this document was to summarise the audit approach, highlight significant audit risks and areas of key judgements and provide Members with the details of the audit team. As it was a fundamental requirement that an auditor was, and was seen to be, independent of its clients.

RESOLVED

Members of the Audit Panel noted the contents of the External Audit Progress report and Audit Strategy memorandum for GMPF.

6. REVIEW OF THE EFFECTIVENESS IF INTERNAL AUDIT 2019/20

Consideration was given to a report of the Director of Finance, which reviewed the effectiveness of Internal audit and measurers practices and performance of the Internal Audit function.

The Director of Finance highlighted Table 4 within the report which showed the assessment against each of the individual standards within the two categories of the Attribute and Performance and provided a comparison of the results presented to the Audit Panel in June 2019. The updated standards had refreshed some of the questions included to add clarity and the standards now contained a mission for internal audit and a set of core principles which articulated internal audit effectiveness.

The developments identified as a result of the assessments were not material enough to generate any issues in terms of conformance with the standards. The small number of developments identified had been built into the Quality and Improvement Programme for 2020/21.

It was reported that the Internal Audit had three key performance indicators and for 2019/20 all targets were either met or exceeded:-

- 92% of Plan Complete (92% in 2018/19 - Target 90%)
- 87% of Recommendations Implemented (93% in 2018/19 - Target 90%)
- 100% Customer Satisfaction (100% in 2018/19 - Target 90%)

The Self-Assessment conducted in April 2020 confirmed that Internal Audit conformed to the requirements of the Public Sector Internal Audit Standards

From the review of Internal Audit, it could be concluded that it helped the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in accordance with the Public Sector Internal Auditing Standard's definition. Taking on board the positive comments received from External Auditors and the positive comments received from Senior Management Teams/Executive Members assurance could be given that the Council had an adequate and effective Internal Audit function which contributed to the overall effectiveness of the system of internal control.

RESOLVED

That the report be noted.

7. RISK MANAGEMENT AND AUDIT ANNUAL REPORT 2019/20

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 systems of internal control.

The Head of Risk Management and Audit Services advised the Audit Panel that the service over achieved the total planned days to March 2020 according to the revised plan from February 2020. The total actual days to March for 2019/20 was 1513 which was only 2 below the originally planned 1,515.

It was stated that during 2019/20 work had been undertaken on the financial systems to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these would be followed up.

Members of the Panel were provided with a summary of the audit opinions issued in relation to risk/system based audit work for 2019/20 compared to 2018/19 and 2017/18. The Head of Risk

Management and Audit services explained that the majority of final reports were issued with a Medium or High opinion throughout the year.

With regards to Post Audit Reviews, 53 had been completed in total during the year, these were detailed in the report. The percentage rate of recommendations implemented for 2019/20 was 87%, this was lower than the target of 90%, this was due to a number of key audits which were still being worked on by the Service. A second Post Audit Review would be undertaken for these pieces of work.

Members were presented with the National Fraud Initiative (NFI) Findings, Investigations undertaken had identified a total of 163 errors with a value of £276,630 and a single fraud valued at £321. Whilst identified as errors, the amounts identified would be recovered where possible. Going forward, the Council benefited from the investigations conducted as part of NFI as council tax reduction discounts and housing benefits paid out to claimants would be reduced.

An update on the National Anti-Fraud Network was provided to Members, the number of requests received during 2019/20 had increased overall by just over 8% from the previous year. The significant increase in the number of communication data requests (67%) was due to the commencement of the Investigatory Powers Act, in June 2019. This saw the introduction of an independent authorisation body, Office for Communications Data Authorisation (OCDA) and removed the need for local authorities to obtain judicial approval when seeking to acquire communications data.

The Head of Risk Management and Audit Services advised the Panel of the work undertaken in Quarter 4 with regards to Risk Management and Insurance. A considerable amount of work had taken place in finalising the Insurance procurement exercise and all insurance covers were in place by 1 April 2020. In January, the Department for Education extended the insurance scheme currently in place for academies to cover all maintained schools. An assessment was undertaken to compare the cost of the scheme to the cost of commercial insurance and moving all schools to the scheme realised a significant saving for schools. In addition to the cost savings, schools benefit from more favourable insurance terms and lower excesses. In conjunction with the Assistant Director of Learning, the team assisted in providing reports for the Schools Forum, communications for the schools and enrolling them all onto the scheme.

The performance of the section was monitored in a variety of ways and a number of indicators had been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy had not taken place for a number of years due to budget cuts and capacity; however, the North West Chief Audit Executive Group was aiming to reintroduce the comparison of a small number of key performance indicators during the coming year. Four of the five targets had been achieved for 2019/20, the unachieved target related to the Percentage of Recommendations Implemented.

Whilst demonstrating that the standard and quality of recommendations made were acceptable, their implementation was the responsibility of management and delays could occur.

The Head of Risk Management and Audit Services stated that in accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function had continued to remain independent of any non-audit operational responsibilities during 2019/20.

It was stated that the Audit Panel could take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, were suitably designed and applied effectively.

RESOLVED

That the report be noted.

8. DRAFT ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT - UPDATE ON TIMESCALES FOR PREPARATION AND EXTERNAL AUDIT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of finance, which provided an update on the revised deadlines and proposed timescales for the preparation of the 2019/20 Statement of Accounts and Annual Governance Statement.

It was stated that the statutory timetable for the preparation of draft financial statements normally required the draft Statement of Accounts and Annual Governance Statement to be prepared and published by 31 May each year. External Audit would then take place and the target for completion of external audit and publication of the final audited Statement of Accounts was 31 July.

For the 2019/20 accounts, Government had recognised that significant operational pressures had been placed on Council's as a result of the COVID19 pandemic and changes had been made to the deadlines for publication of draft and final audited Statement of Accounts.

It was explained that the Ministry of Housing, Communities and Local Government had laid regulations to revise the statutory deadlines for 2019/20 accounts. The revised deadlines required that draft accounts and a draft Annual Governance Statement would be published by 30 August at the latest. The publication date for final audit accounts was now 30 November 2020.

The preparation of draft accounts was well progressed and officers had sought to stick to the original timetable as far as possible. However, supporting the Council's response to COVID19 had remained the priority for all service areas and as a result some elements of the accounts and the Draft Annual Governance Statement would not be complete for the original target date of 31 May. Delay in the publication of key financial returns by Government had also impacted on the preparation of some elements of the accounts.

Officers expected to complete the preparation of the Council's draft accounts by mid June 2020. The draft Statement of Accounts and Annual Governance Statement would be presented to the meeting of the Audit Panel on 28 July and then placed on deposit for public inspection during August. It was expected that External Audit would report to the meeting of the Audit Panel on 10 November 2020.

RESOLVED

That Members of the Audit Panel note the revised timescales for accounts preparation, the annual governance statement and external audit reporting.

9. URGENT ITEMS

There were no urgent items.

CHAIR