

AUDIT PANEL

28 July 2020

Commenced: 2.00 pm

Terminated: 3.28 pm

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

Observers - Councillors Warrington & Ryan

In Attendance:

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

10. DECLARATIONS OF INTEREST

There were no declarations of interest.

11. MINUTES

The minutes of the meeting of the Audit Panel on the 9 June 2020 were approved as a correct record with the title of item 7 to read Review of the Effectiveness of Internal Audit 2019/20.

12. ANNUAL GOVERNANCE REPORT 2019/20

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services, which presented the Annual Governance Report comprised of the Draft Annual Review against the Code of Corporate Governance for 2019/20 and the Draft Annual Governance Statement for 2019/20.

The Head of Risk Management reported that a review had been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/improvement and to prepare for the compilation of this year's Annual Governance Statement which was required, by the Accounts and Audit Regulations 2015.

The document was presented to the Single Leadership Team in 14 July 2020 for review and the draft Annual Review against the Code of Corporate Governance for 2019/20 incorporating all comments received is detailed at **Appendix 1**.

It was stated that the Draft Annual Governance Statement for 2019/20 which had been drawn up using the guidance contained within Delivering Good Governance in Local Government – Framework issued in 2016 was attached at **Appendix 2** for comment and challenge.

The Draft Annual Governance Statement 2019/20 was presented to the Single Leadership Team on 14 July 2020 and their comments had been incorporated into the document.

As the Coronavirus Pandemic hit during March 2020 a separate section had been added to the Annual Governance Statement to explain how officer and member meetings were adapted to enable the Council to respond effectively as the pandemic and lockdown developed.

It was stated that the Draft Annual Governance Statement would be presented to the External Auditors Mazars as part of their audit of the Statement of Accounts.

The final version incorporating any updates and comments would be presented to the Audit Panel on 10 November 2020 for approval. It would then be signed by the Executive Leader and the Chief Executive and presented formally to Mazars.

RESOLVED

That Members of the Audit Panel approve: -

- (i) The Draft Annual Review against the Code of Corporate Governance for 2019/20 at Appendix 1; and**
- (ii) The Draft Annual Governance Statement for 2019/20 at Appendix 2.**

13. EXTERNAL AUDITORS ASSURANCE REPORT 2019/2020

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services. The report presented the response to the letters and questionnaires received from Mazars for consideration by the Panel ahead of the documents being signed by the Chair of the Panel and the Director of Finance.

The Head of Risk Management and Audit Services stated that letters were sent to the Chair of the Audit Panel and another to the Director of Finance. In addition to the questions which covered the Council's processes and controls, the letters included further questions in an appendix to ascertain the Panels views on fraud.

RESOLVED

That Members agree that the Chair of the Audit Panel and the Director of Finance sign the schedules in Appendix 1 and Appendix 2.

14. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JUNE 2020

Consideration was given to a report of the Head of Risk Management and Audit Services, which advised Members of the work undertaken by the Risk Management and Audit Service between April and June 2020 and to comment on the results.

The Head of Risk Management and Audit Services stated, in Quarter 1 work had concentrated on ensuring that the new insurance contract was finalised in light of the Coronavirus Pandemic which had severely affected the insurance industry and market. Advice and guidance had been provided across directorates to ensure insurance cover was in place as services adjusted to new ways of delivery. Work had also been undertaken in relation to School Trips as a significant number were affected by the pandemic and lockdown.

A number of Data Protection Impact Assessments had been undertaken during the period to ensure that all risks to personal data in relation to new projects and changes to existing processes were assessed to ensure compliance with GDPR and the Data Protection Act 2018. Mandatory training for Information Governance and Cyber Security had been monitored and the overall completion rate was now at 95%.

Members were reminded that the Audit Plan approved on 10 March 2020 by the Audit Panel covered the period April 2020 to March 2021 and totalled 1,510 Days. This was made up of 1,200 days on planned audits and 10 days reactive fraud work. Members received a summary of the days planned for Quarter 1 and the actual days delivered. In Quarter 1 the profiled planned days was 339 the actual days to June 2020 were 352.

During the first quarter of the year, three final reports were issued in relation to systems and risk based audits, seven Draft Reports had been issued for management review and responses and these would be reported to the Panel in due course.

With regards to irregularities and counter fraud work, Members were advised that at the time of writing the report there were 19 referrals relating to Grants to Businesses, this was now in excess of 30.

The Head of Risk Management and Audit Services advised Members that the National Anti Fraud Network and Data and Intelligence Services team had been involved in work nationally looking at grants paid to businesses. It was reported there had been large opportunity's to commit fraud and there were flaws being investigated nationally by the Anti Fraud Network in collaboration with the National Investigation Service.

RESOLVED

That members note the report and the performance of the Service Unit for the period April to June 2020.

15. 2019/20 REVENUE AND CAPITAL OUTTURN REPORT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Lead Clinical GP / Director of Finance. This report aimed to provide an overview on the financial position of the Tameside and Glossop economy in 2019/20 at the 31 March 2020 and included the details of the Integrated Commissioning Fund (ICF) for all Council services and the Clinical Commissioning Group.

Members were advised that for the 2019/20 financial year the Integrated Commissioning Fund has spent £619,675k, against a net budget of £619,662k. The small overspend of £13k on Council budgets would be met from general reserves.

The approved Capital Programme budget for 2019/20 is £42.013m. Service areas had spent £37.341m on capital investment in 2019/20, which was £4.672m less than the capital budget for the year. This variation was spread across a number of areas, and was made up of a number of over/underspends on a number of specific schemes (£0.673m) less the rephrasing of expenditure in some other areas (£5.344m).

The Director of Finance explained that the COVID-19 pandemic was unprecedented and whilst its impact on local public service delivery was clearly significant, the full scale and extent of the health, socio-economic and financial impact was not yet fully understood. **Appendix 3** sets out details on the forecast financial impact and financial issues facing the Strategic Commission as a result of COVID-19. There were significant risks facing the CCG as NHS England & Improvement endeavoured to manage the impact of COVID-19 on the NHS in a 'command and control' style of leadership.

There was also likely to be a significant financial shock to the Council's current revenue budget, on-going financial sustainability and balance sheet. Significant additional costs were being incurred as the Council responds to the pandemic, and there would be a significant reduction in income levels to the Council in 2020/21 and potentially into future years.

A detailed discussion ensued between Members on overspend of directorates budgets in particular Children's Services.

RESOLVED

That Members of the Audit Panel Note:

- (i) the overall outturn position for 2019/20 as set out in Appendix 1. Whilst the overall position for 2019/20 is in line with budget, this includes several significant one-off**

savings and additional income sources. The budget was also set assuming the use of £9.3m of Council Reserves.

- (ii) the Capital outturn position and financing for 2019/20, and the capital financing risks for 20/21 and beyond as set out in Appendix 2.
- (iii) the potential financial scenarios and risks for 2020/21 and beyond as set out in part 3 and Appendix 3 to this report.

16. DRAFT 2019/20 STATEMENT OF ACCOUNTS

Consideration was given to a report of the Director of Finance / Assistant Director of Finance, which presented the draft Statement of Accounts for 2019/20.

The Finance Business Partner delivered a presentation on the 2019/20 Financial Statements Overview. Members were presented with the Headlines of the 2019/20 Financial Statements.

- Overall net assets of the Council had increased by £50.3m mainly due to reduction in long term liabilities relating to Pensions following the full actuarial valuation in 2019.
- Earmarked reserves reduced overall by £9m. Balance at 31 March included significant sums of capital and COVID grant funding that had already been spent in 2020/21.
- Collection Fund Reserves had increased by £10.6m but this was already committed to fund business rates deficits and the revenue budget in future years.

The Finance Business Partner explained that with income and expenditure in accordance with proper accounting practice, there was a deficit on the provision of services of £60.010m and an overall surplus on the Comprehensive Income and Expenditure Statement (CIES) of £50.349m.

The Expenditure and Funding Analysis reconciled the difference between what was reported to management and members during the year and the deficit on the provision of services in the CIES

It was stated that usable reserves had increased by £4.3m overall but this included a number significant of movements in and out of reserves. In addition, Members received a summary of the Council's Current and Non-current Assets and Liabilities.

RESOLVED

That the Audit Panel note the draft Statement of Accounts and the timescales for completion of the audit.

17. TREASURY OUTTURN REPORT

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 2019/20.

The report summarised the long term debt of the Council which reflected the capital expenditure financed by loans. Total borrowing at the start of the year was £111.7m. This existing borrowing reduced to £111.4m over the course of the year; however, £30m of new borrowing was taken up in August 2019, meaning total borrowing was £141.4m at 31 March 2020. Of this borrowing £40m was market loans at an average interest rate of 4.27% and the remainder was from the PWLB at an average interest rate of 4.02%.

It was reported that Tameside achieved an average investment rate of 1.04% on the average weekly investment of £113.6m, against a benchmark LIBID rate of 0.53%. This equated to a gain of £577k. Gains, such as this, could only be made by strategic investment, where interest rates did not follow the general "market" expectations.

With regards to the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), outstanding debt was £40.297m. During 2019/20 the debt outstanding reduced by £18.547m. The debt would be fully repaid by 31 March 2022.

RESOLVED

Members of the Audit Panel noted:

- (i) the treasury management activities undertaken on behalf of both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF).**
- (ii) the outturn position for the prudential indicators in Appendix A.**

18. URGENT ITEMS

There were no urgent items.

CHAIR