

AUDIT PANEL

24 November 2020

Commenced: 14:00

Terminated: 15:28

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

Observers - Councillors Ryan and Fairfoull

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
	Martin Nixon	Risk, Insurance and Information Governance Manager
	Karen Murray	Mazars
	Nichola Cooke	STAR Procurement
	Elizabeth McKenna	STAR Procurement
	Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)

19. DECLARATIONS OF INTEREST

There were no declarations of interest.

20. MINUTES

The minutes of the meeting of the Audit Panel on the 24 November 2020 were approved as a correct record with the amendment that Councillor Fairfoull be recorded as present in the role as an Observer.

21. EXTERNAL AUDIT COMPLETION REPORT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance. The report highlighted the key matters that had arisen from Mazars external audit of the 20-19/20 financial statements for both Tameside MBC and the Greater Manchester Pension Fund.

Karen Murray of Mazars summarised the Audit Completion Reports for Tameside MBC and the Greater Manchester Pension Fund at **Appendices 1 and 2**. In regards to Tameside MBC it was stated that the work was substantially completed on the financial statements and the Value for Money conclusion for the year ended 31 March 2020. It was reported that the materiality at the planning stage of the audit was set at £10.967m using a benchmark of 2%. On final assessment of materiality based on the financial statements and qualitative factor was £11.973m using the same benchmark. Mazars set the trivial threshold level under which individual errors were not communicated to the Audit Panel at £0.359m based on 3% of overall materiality.

It was explained that as part of the planning procedures Mazars considered the risks of material misstatement in Tameside MBC financial statements that required special audit consideration.

Members were reminded of the significant risks identified at the planning stage of the audit in the Audit Strategy Memorandum, Mazars risk assessment was a continuous process.

Karen Murray highlighted the Valuation of Defined Benefit Pension Liability risk, Members were advised that there was a material valuation uncertainty over the valuation of the Pension Fund's property holding. This was disclosed in the notes to the Council's Accounts and, in line with normal practice, Mazars would include reference to this disclosure as an 'emphasis of matter' in the audit report. It was reported that there were no matters arising against the valuation of the Council's investment in Manchester Airport Holdings Limited.

As part of the audit Mazars considered the internal controls in place relevant to the preparation of the financial statements, no new internal control issues had been raised this year. Further, the internal control issues that had been raised last year had been addressed.

In regards to the Value for Money Conclusion it was emphasised that the Council faced a significant challenge in ensuring its financial sustainability over the medium term. This challenge, which was exacerbated by Covid-19, had developed over several years. In addition, the Council continued to face financial pressures arising from demand in some services, most notably Children's services which saw an £8.4m overspend against budget in 2019/20.

In setting the 2020/21 budget, the Council made a number of decisions which included the planned use of a further £12.4m of reserves and use of the dividend income from Manchester Airport to support services in the year. The budget also required the Council to deliver savings in areas including Children's services, in order to mitigate the growing demand led financial pressures. However, the financial position for 2020/21 had become significantly more difficult because of the COVID-19 pandemic.

It was stated that although the Council still had significant levels of earmarked reserves as at 31 March 2020, these would not be sufficient to sustain the Council's financial position over the medium term given the estimated impact of the pandemic.

The arrangements in place for monitoring the financial position would allow the Council to identify any emerging additional pressures or slippage in the delivery of these plans. It was vital, given the scale of what had to be achieved, that management and Executive Members were held to account for delivery of plans. Without this, there was a risk the Council would not be in a position to take timely remedial action, particularly where the action required consultation because it impacted workforce or the level and type of services the Council could provide for residents.

Members of the Audit Panel discussed the importance of meeting the proposed savings.

In regards to the Greater Manchester Pension Fund, it was reported that audit work had been substantially completed on the financial statements for the year that ended 31 March 2020. Karen Murray of Mazars summarised the significant risks raised in the report. It was explained the risks of material misstatement in the Pension Fund's financial statements required special audit consideration. It was explained that there was a significant risk from the valuation of unquoted investments for which a market price was not readily available. Mazars had completed their procedures in respect of this risk and were satisfied that the valuations included within the accounts were supported by the underlying evidence. It was highlighted that Note 2 and the updated Note 2a, had disclosed a material valuation uncertainty in respect of the valuations of the property related investments within the Net Assets Statement.

Mazars concluded that the accounting policies and disclosures complied with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances. It was reported that Mazars discussed with management the impact of Covid-19 on the Fund's financial statements, including potential impact on risks of material misstatement and the increased scrutiny of both GMPF's financial report and the work of auditors.

There were no misstatements that were identified during the course of the audit which management had assessed as not being material.

RESOLVED

That the Audit Panel: -

- (i) Note that there are no accounting adjustments that have an impact on the Council's General Fund or Usable reserves;**
- (ii) Agrees to the adjustments and presentational changes to the accounts, as detailed in the Audit Completion Reports (Appendix 1 – TMBC, Appendix 2 – GMPF attached);**
- (iii) Notes the Value for Money Conclusion included in the Tameside MBC Audit Completion report (Appendix 1); and**
- (iv) Confirm that the Council has complied with all matters set out in the Letters of Representation (Appendix A to the Audit Completion reports) which will be signed by the Director of Finance and Chair of Audit Panel.**

22. STATEMENT OF ACCOUNTS 2019/20

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance, which detailed the statement of Accounts for Tameside MBC and the Greater Manchester Pension Fund for the year ended 31 March 2020.

The Director of Finance explained that it was necessary to consider the Audit Completion report of the Council's external auditor regarding the Statement of Accounts before approving the audited accounts. The Audit Completion report for the Council and the Greater Manchester Pension Fund, which was administered by the Council, had been considered earlier on this agenda and the adjustments highlighted as part of the audit had been included in the report.

Members were reminded that a small number of presentational amendments had been made to the Statement of Accounts but no changes had been required that fundamentally alter any assessment of the Council's financial position at 31 March 2020 or its income and expenditure for the year then ended.

Members of the Panel discussed the risks that the Council faced and if they had changed in light of Covid and the level of reserves that could be used to manage risk.

RESOLVED

That Members of the Audit Panel

- (i) Note the findings of external audit reported in the previous agenda item 4;**
- (ii) Approve the Statement of Accounts for 2019/20, subject to the conclusion of the external audit; and**
- (iii) Approve delegated authority to the Director of Finance to agree any further presentational amendments to the financial statements arising from the conclusion of the external audit. In the unlikely event of any substantive amendments to the primary statements, these will be discussed with the Chair of Audit Panel prior to the signing and publication of the final audited Statement of Accounts.**

23. ANNUAL GOVERNANCE STATEMENT 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 Statement for 2019/20 to Members for approval.

The Head of Risk Management and Audit Services reported that the Panel had previously considered the Annual Governance Statement in draft on the 28 July 2020. Consultation with

Members was conducted via email over the summer. The Draft Annual Governance Statement 2019/20 was formally submitted to the External Auditors together with the Draft Statements of Accounts for review on 5 August 2020.

It was stated that all comments received to date had been incorporated into the version which was attached at **Appendix 1** for approval ahead of it being signed by the Executive Leader and Chief Executive. It was reported there had been changes to the improvement plan to reflect the position as at October 2020.

RESOLVED

That the Audit Panel approve the Annual Governance Statement for 2019/20 ahead of it being signed by the Executive Leader and Chief Executive, (Appendix 1).

24. RISK MANAGEMENT AND AUDIT SERVICES PROGRESS REPORT TO 2 OCTOBER 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 2 October 2020.

It was reported that the Risk, Insurance and Information Governance Manager commenced in post from 1 July. The recruitment of the two additional Risk, Insurance and Information Governance Officers was a priority and interviews were held at the beginning of September. Two appointments had been made but their positions had notice periods of three months. Work to review the Risk Management System in place was identified as a priority for the new manager and resources had concentrated on updating the Corporate Risk Register.

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.

In regards to internal audit, the Actual Days for the period delivered was 716. The Audit Plan had to be responsive to changing priorities and the Approved Plan of 1,510 days had been revised to reflect the actual work undertaken in Quarters 1 and 2, which included estimates for the work to be undertaken in Quarters 3 and 4. The revised plan totalled 1,520 planned days for 2020/21, which was only 10 days different, however, some of the changes across Directorates were significant. The changes in Growth and Governance reflected the significant support the Internal Audit Team has provided in relation to the payment of grants relating to COVID-19.

The Head of Audit and Risk Management explained that as a result of the grant work, audits not delivered in planned days, loss of a Senior Auditor and additional requests for work that were not in the original Approved Plan, a number of audits need to be removed from the 2020/21.

It was reported that all the preparation work in relation to the National Fraud Initiative (NFI) 2020 had been completed and all the data sets had been uploaded to the secure NFI Website. The results would be made available for review and investigation in January/February 2021. Members were advised there had been 69 referrals which was unprecedented, 64 of these related to the business support grants paid out by the Council. In 26 of the referrals payments had been stopped, in 9 cases the payments were released and in 13 cases there was proven fraud.

NAFN had continued to work very closely with Central Government including the Cabinet Office and the Department for Business Energy and Industrial Strategy (BEIS) in response to COVID-19 business support grant fraud. NAFN was also actively participating in a number of national working groups including the National Economic Crime Centre, Operation Ethern (Understanding the Threat Expert Panel) and the Fraud Advisory Panel.

RESOLVED

That members note the report and the performance of the Service Unit for the period April to 2 October 2020.

25. NFI SUMMARY REPORT

Consideration was given to a report that the Director of Finance / Head of Risk Management and Audit Services. The report provided a summary of the National Fraud Initiative findings from the 2018/20 exercise.

Members were reminded that the National Fraud Initiative (NFI), conducted by the Cabinet Office, involved data matching to help in the prevention and detection of fraud. The NFI was conducted using the data matching powers conferred on the Minister for the Cabinet Office. The National Fraud Initiative Report published in July 2020 was attached at **Appendix 1**. The report included all NFI outcomes recorded in the period 1 April 2018 to 4 April 2020. These outcomes included NFI 2018/19, as well as those from the FraudHub, AppCheck and ReCheck products.

It was highlighted that of £244.7m detected as fraud and error in the period 1 April 2018 to 4 April 2020 £215.8m occurred in England. The £215.8m of detected fraud, overpayments and errors were outlined to the Panel. The largest risk areas were included Pensions, Council Tax, Housing Benefit, Blue Badges and the Housing Waiting List.

It was reported that NFI introduced new data sets and matches and were usually piloted first to understand the data and the outcomes. During 2018/19 Housing Benefit Claims and Council Tax Reduction Claims were matched to HMRC information and significant savings were identified as shown by Tameside as part of the pilot.

RESOLVED

That the report be noted.

26. CORPORATE RISK REGISTER OCTOBER 2020 UPDATE

Consideration was given to a report of the Director of Finance / Risk, Insurance and Information Governance Manager, which presented the Corporate Risk Register detailed at **Appendix 1**.

It was reported that Risk owners had assisted the Risk, Insurance and Information Governance Manager to review the Corporate Risks they had responsibility for.

The Council had the time to adjust working practices in many areas to accommodate the additional hazards caused by factors such as social distancing, home working and economic impacts. The high risk scores in some areas had been selected due to uncertainty which existed over future developments in coronavirus and the levels of central government funding to be provided in 2021/22. The previous risk 'Failure to meet objectives of the Corporate Plan due to the Covid-19 pandemic' had been removed, with the assessment shifting to analysis of individual Corporate Risks attached to the various plan objectives. This analysis had shown that there were currently a total of 10 Red risks across the register. Although this was a reduction from the 19 Red risks reported in May 2020, this demonstrated the disruption caused by the pandemic when compared to the pre-Covid level of 4 Red in October 2019.

The Risk, Insurance and Information Governance Manager highlighted areas and changes in the Corporate Risk Register. It was stated that risks in Children's Services continued to be high, in particular the medium term financial plan for Children's Services. A new risk had been added to the register in Population Health where objectives for the service had been effected by Coronavirus.

There was a plan to develop 'operational' risk registers for Council Service teams in Quarters 3 and 4 of 2020/21. The intention was to reduce the size of the existing Corporate Risk Register to allow the Single Leadership Team to focus their risk management responsibilities on the over-arching risks to the Council. Risks not retained on the Corporate Register would transfer to the appropriate Service operational register and would be reported by exception to the Single Leadership Team.

RESOLVED

That the Audit Panel approve the Corporate Risk Register at Appendix 1 and note the development work detailed in Section 4 of the report.

27. AUDIT PANEL FORWARD PLAN AND TRAINING

Consideration was given to the Director of Finance / Assistant Director of Finance, which set out the updated forward plan and training programme for the Audit Panel for 2020/21 and 2021/22.

The Audit Panel was the Committee of Tameside Council that undertook the role of the Audit Committee. The terms of reference for the Audit Panel were listed in **Appendix 1**.

To assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2020/21 and 2021/22. The work plan outlined in **Appendix 2** set out the areas that should be considered by the Audit Panel and identified proposed training for the coming year if agreed. Members of the panel were asked to consider whether any additional items or training was required, with reference to the core functions listed above and the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2018.

RESOLVED

That the Audit Panel :-

- (i) Approve the updated work programme, including training, as set out in Appendix 2; and;**
- (ii) Note the core functions outlined in Section 2 of the report and the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2018 and consider whether any further training would be beneficial for the Audit Panel.**

28. PROCUREMENT UPDATE

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Assistant Director of Finance / Assistant Director of STAR Procurement. The report provided an update on what had been achieved over the last twelve months both for STAR Procurement as a whole and Tameside Council.

Members were reminded that STAR Procurement was a shared service operating across Stockport, Rochdale, Tameside and Trafford Councils, and more recently Trafford CCG and Tameside CCG. STAR Procurement was hosted by Trafford Council. Governance was through the STAR Joint Committee.

Nichola Cooke outlined the 2019/20 key achievements. It was reported that 2019/20 was a successful year for STAR Procurement and its partners. Key achievements included, over £7m in-year savings, 25% Social Value return on contract value equating to over £31m and 57% of all winning bidders were from Greater Manchester. Further, it was reported that Star Procurement had secured 126 trainee and apprentices and 363 employment opportunities.

It was explained that 2020/21 had been a challenging year as STAR procurement supported the Covid-19 response and continued with business as usual activities. Star Procurement's Covid response had included assisting finance teams implementation of supplier relief, a Task and Finish Group was established to support the procurement of PPE. The Star Procurement Covid response included a proactive procurement, which planned to take account of Partners and business capacity

and resources and Established a new flexible procurement approach to allow procurement to continue in a volatile and complex marketplace.

It was reported that Tableau for performance management and spend analysis had been implemented and work had taken place on the website and implementation of on-line forms. In addition the new Business Plan developed, ready to be launched in January 2021.

Performance to date in 2020/21 had included £1.56m of savings, over £100k income secured through 6 commissions, over 600 bookings for the Virtual Meet the Buyer event and there had been a 25% social value return on contract value. There had also been a 10 point plan developed to support our local businesses and SME's during the COVID crisis.

Members were advised that savings remained a high priority for STAR Procurement. A Savings Strategy had been developed to ensure that STAR Procurement continued to proactively identify and secure savings now and in the future. The approach would include generating ideas thought the team and wider colleagues, a joint procurement and finance approach and a focus on revenue savings.

RESOLVED

That the report be noted.

29. TREASURY MANAGEMENT MID YEAR REVIEW

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Assistant Director of Finance, which provided a mid-year review of the Council's Treasury Management activities for 2020/21.

The Assistant Director of Finance reported that the Council held £61.320m of investments as at 30 September 2020, with an investment portfolio yield to date of 0.85% against LIBID of -0.06%. At 31 March 2020 the portfolio consisted of £143.090m of investments. The movement was largely in relation to the year-end balance including £54m of grants to be paid to small businesses, along with other advanced payments of grants and the general running down of balances.

It was stated that the Council has previously relied on the PWLB as a major source of funding, it was reconsidering potential alternative sources of borrowing. As at 30 September 2020 the Council's total borrowing was £141.186m and the Council had an outstanding borrowing requirement of £48.063 at 31 March 2020. This was forecast to increase to £68.066m by the end of 2020/21 due to planned capital investment.

Debt rescheduling opportunities had been limited in the economic climate and consequent structure of interest rates. No debt rescheduling had been undertaken during the first six months of 2020/21.

Members were reminded that Tameside Council was the lead council responsible for the administration of the debt of the former Greater Manchester County Council. It was reported that during 2020/21 it was estimated that the total interest payments would be £2.617m at an average interest rate of 6.50%. This compared with 5.65% in 2019/20. No long term borrowing had been taken up in the first six months of 2020/21.

RESOLVED

That the treasury activity and performance be noted.

30. URGENT ITEMS

There were no urgent items.

CHAIR