

AUDIT PANEL

16 March 2021

Commenced: 14:00

Terminated: 15:30

Present: Councillors Ricci (Chair), Dickinson, Kitchen, Naylor and Owen

Observers - Councillors Ryan

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
Martin Nixon	Risk, Insurance and Information Governance Manager
Karen Murray	Mazars

**Apologies for
Absence:** Councillors Cartey, Fitzpatrick and Homer
Councillors Fairfoull (Observer)

31. DECLARATIONS OF INTEREST

There were no declarations of interest.

32. MINUTES

The minutes of the meeting of the Audit Panel on the 24 November 2020 were approved as a correct record.

33. MONTH 9 FINANCE REPORT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Lead Clinical GP / Director of Finance. The report detailed the Month 9 2020/21 financial position, reflecting actual expenditure to 31 December 2020 and forecasts to 31 March 2021.

The report included the details of the Integrated Commissioning Fund (ICF) for all Council services and the Clinical Commissioning Group. The total gross revenue budget value of the ICF for 2020/21 was £980 million. At Month 9, the Strategic Commission was forecasting a net overspend of £3.328m by 31 March 2021.

It was stated that the Council was forecasting a year end overspend of £3.8m, which was a slight deterioration on the position reported at month 8. Significant pressures remained across Directorates, most significantly in Children's Social Care where expenditure was forecast to exceed budget by £4.134m, with further cost pressures in Adults and Education, and income loss pressures in the Growth Directorate. These were due to underlying financial pressures that the Council would have faced regardless of the Covid pandemic.

On the assumption that the anticipated COVID top up would be received in full, a surplus of £512k was projected at year end on CCG budgets. Further detail on the financial position could be found in Appendix 1.

RESOLVED

That Members of the Audit Panel note the forecast outturn position and associated risks for 2020/21 as set out in Appendix 1.

34. ACCOUNTING POLICIES 2020/21

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report detailed the proposed accounting policies for the 2020/21 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 2020/21 accounts.

It was reported 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 2020/21. In undertaking this assessment a review of all accounting policies previously agreed had 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 2020/21.

It was stated that during 2020/21 the Council had received a number of new Covid grant funding streams. Each of these grants had different terms and conditions attached to it, and the accounting treatment would be determined by the restrictions placed on the funding. An exercise would be undertaken during March 2021 to review and confirm the correct accounting treatment for these different funding streams.

RESOLVED

That Members of the Audit Panel note that there were no proposed changes to the accounting policies for 2020/21 compared to those adopted for 2019/20 and approve the accounting policies detailed at Appendix 1.

35. TREASURY MANAGEMENT STRATEGY 2021/22

Consideration was given to a report of the Director of Finance, which detailed the Treasury Management Strategy for 2021/22, which was approved by Full Council on 23 February 2021.

It was reported that as at the 31 March 2020 the Council had £143m of investments which needed to be safeguarded and £141m of long term debt which had been accrued over the years to help fund the Council's capital investment programmes. Members were reminded that the Council was also the lead authority responsible for the administration of the debt of the former Greater Manchester County Council on behalf of all ten Greater Manchester Metropolitan Authorities. As at 31 March 2020, this represented a further £40m of debt.

It was stated that the significant size of these amounts required careful management to ensure that the Council met its balanced budget. Generating good value for money was essential, in terms of both minimising the cost of borrowing and maximising the return on investments.

The Assistant Director of Finance explained that the Prudential Indicators for 2021/22 and the following two years must be set before the beginning of the forthcoming year and required approval by Council as part of the budget approval process. The system required a process for controlling prudential borrowing to ensure that all council borrowing remains affordable. It was explained that the Council was in an 'under-borrowed' position meaning that capital expenditure funded from borrowing exceeded the actual level of debt taken up. During 2019/20 £30m of additional prudential borrowing was taken up in accordance with the planned strategy. No further long-term borrowing was taken up during 20/21, however the current capital financing budget assumed a further £30m of borrowing would be taken up in 2021/22. The Council's current projected under-borrowed position was £54m, which provided an estimated annual saving of £0.9m in interest costs at prevailing rates. The planned Prudential Borrowing of £30m in 2021/22 was provisional as the Council would review its available resources on a regular basis throughout the year.

Members were advised that the Council had some flexibility to borrow funds for use in future years. The Section 151 Officer could do this under delegated power where, for instance, a sharp rise in

interest rates was expected, and so borrowing early at fixed interest rates would be economically beneficial or meet budgetary constraints

In regards to sources of borrowing, it was stated that the PWLB was, in effect, the Government, and loans raised from this source were generally the cheapest available for their type and duration. Although loans from the PWLB could be obtained at a variable rate of interest, Tameside had normally borrowed at fixed rates and holds no variable PWLB debt. Further, borrowing for fixed periods meant that the average rate payable was not subject to large year on year volatility which could occur if rates were linked to the base rate of interest.

It was reported that the original estimate of interest payable for the 2020/21 financial year was £6.162m. Of this £5.962m would be paid externally and the remainder would be paid to various Council funds such as the Insurance Fund. It was anticipated that the outturn position for the year would be slightly below this budget.

RESOLVED

That the Treasury Management Strategy for 2021/22 be noted.

36. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2021/22

Consideration was given to a report of the Head of Risk Management and Audit Services, which detailed the planned work for the Risk Management and Audit Service for 2021/22.

It was reported that the Annual Audit Plan detailed at Appendix 1 totalled 1,665 Days. The Approved Plan for 2020/21 totalled 1,510 which included 1,200 Days on Planned Work and 310 Days on Counter Fraud Work and Investigations.

It was explained that the Annual Audit Plan of 1,665 days had been balanced to resources available. However, productive days were estimated and any changes to the assumptions used would be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board. One assumption was based on the recruitment of a Senior Auditor and productive days had been included from May 2021. As in previous years the demand for audit work had exceeded the days available and therefore the Annual Audit Plan for 2021/22 presented for approval includes only Mandatory and High Risk Audits

Members were reminded that the Service Unit did not employ a specialist Computer Auditor for the provision of technical computer audit support and this was procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

It was stated that in order to comply with the Public Sector Internal Audit Standards it was necessary for the Audit Panel to approve the Internal Audit Strategy attached at Appendix 2 and the Internal Audit Charter attached at Appendix 3 annually.

The Head of Risk Management and Audit Services reported that standard 1300 of the Public Sector Internal Audit Standards required the Chief Internal Auditor to develop and maintain a quality assurance and improvement programme that covered all aspects of the internal audit activity. The Quality Assurance and Improvement Programme was attached at Appendix 4.

Members were advised that resources had increased for Counter Fraud Work and Investigations from 310 to 393. Update reports would be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

In regards to performance monitoring, the performance of the service would be monitored against targets and performance indicators. Individually auditors were monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training

needs. Customer questionnaires were also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements. .

RESOVLED

- (i) That approval be granted to the Draft Internal Audit Plan for 2021/22 shown at Appendix 1 and note the planned work for the Risk, Insurance and Information Governance Team and the National Anti-Fraud Network Data and Intelligence Service.**
- (ii) That approval be granted to the Audit Strategy for 2021/22 shown at Appendix 2.**
- (iii) That approval be granted to the Audit Charter for 2021/22 shown at Appendix 3.**
- (iv) That approval be granted to the Quality Assurance and Improvement Programme for 2021/22 shown at Appendix 4.**

37. ANNUAL GOVERNANCE STATEMENT 2019/20 - IMPROVEMENT PLAN PROGRESS UPDATE

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services. The report detailed the Annual Governance Statement 2019/20 Improvement Plan Progress report to Members for Comment.

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 22 July 2020 as a draft document for review and comment and presented as a final document for approval on 14 November 2020.

It was stated that Section 5 of the Annual Governance Statement identified a number of areas for development which were appended to the statement in an Improvement plan. Addressing the issues identified would further enhance the governance framework in place for the Council. Further, it was stated that the Table presented at Appendix 1 provided a progress report against each development as at February 2021. Some improvements were progressing, however, COVID-19 had caused delays to a number of the improvements identified

RESOLVED

That the Annual Governance Statement 2019/20 Improvement Plan Progress Report attached at Appendix 1 be noted.

38. CORPORATE RISK REGISTER UPDATE MARCH 2021

Consideration was given to a report of the Director of Finance / Risk, Insurance and Information Governance Manager. The report detailed the Corporate Risk Register at Appendix 1 and sought comment and approval.

Members were advised that the Corporate Risk Register attached at Appendix 1 detailed the risk scores evaluated both in October 2020 and March 2021. Risk owners had assisted the Risk, Insurance and Information Governance Manager to review the Corporate Risks they had responsibility for. Review comments had been added to the risk register under Appendix 1 alongside each risk.

It was explained that service delivery, working practices, and the Council’s allocation of financial and staff resources continued to be influenced by the Covid-19 pandemic. This was illustrated by the risk scores still being at higher levels than prior to the March 2020 lockdown.

The Risk, Insurance and Information Governance Manager summarised the key developments and risks in March. There were a total of 12 Red risks across the register. Although this was a reduction from the 19 Red risks reported in May 2020, this still demonstrated the disruption caused by the pandemic when compared to the pre-Covid level of 4 Red risks in October 2019.

RESOLVED

That the Corporate Risk Register at Appendix 1 be approved and the development work detailed in section 4 of the report be noted.

39. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2020 TO JANUARY 2021

Consideration was given to a report of the Head of Risk Management and Audit Activities from April 2020 to January 2021.

It was reported that recruitment to the Risk, Insurance and Information Governance Team was now complete and all posts were now occupied. The two new Risk, Insurance and Information Governance Officers joined the team in January and February 2021. A work plan across all four disciplines covered by the team had been reviewed by the Team Manager to ensure all roles and responsibilities were allocated according to individual strengths and experience.

In regards to work over the last quarter, it was stated that a draft Work Plan in respect of Information Governance was presented to the Information Governance Group at the end of January 2021 and further work was now underway to refine and allocate the tasks with timescales to team members.

Further, a number of Data Protection Impact Assessments and Sharing/Processing Agreements had been reviewed during the period to ensure that all risks to personal data in relation to new projects and changes to existing processes were assessed and protected to ensure compliance with UK GDPR and the Data Protection Act 2018.

It was reported that the insurance renewal process was ongoing, information had been provided to the insurance brokers for presentation to insurers and renewal terms were expected in March in time for renewal on 1 April 2021. The draft Actuarial Review had been provided and was being reviewed before it would be presented to Finance for the purpose of reviewing the Insurance Reserve and Provisions for inclusion in the Final Accounts.

Members were presented with a table which summarised the progress of planned audits. It was explained that the Audit Plan had to be responsive to changing priorities and therefore the revised plan presented in November 2020 had been further updated to reflect the actual work undertaken in Quarters 1, 2 and 3, including estimates for the work to be undertaken in Quarter 4. The revised Plan totalled 1,516, this include 1,100 Days on Planned Work and 416 Days on Counter Fraud/Investigation Work. It was stated changes across Directorates had taken place to accommodate audits being rescheduled due to the impact of COVID-19, additional priority requests received, investigations and Audit's continued involvement in the payment of grants to support businesses.

It was reported that five Final Reports were issued in the period from October 2020 to 31 January 2021 which brought the total to fourteen for the year to date. In addition to the Final Reports issued above, five Draft Reports had been issued for management review and responses and these would be reported to the Panel in due course. Post Audit Reviews were undertaken approximately six months after the Final Report had been issued, however, where a low level of assurance is issued the Post Audit Review was scheduled for three months to ensure that the issues identified were addressed. Sixteen Post Audit Reviews had been completed during the period October 2020 to 31 January 2021 and a summary of the findings were presented to Members.

It was stated that the review of Internal Audit reported to the Audit Panel on 9 June 2020 highlighted that the service was fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).

In regards to Irregularities and Counter Fraud Work, the Head of Risk Management and Audit Services highlighted that there had been 92 referrals to the team between April 2020 and January 2021. The majority of these referrals were in relation to business support grants. Further, Members were presented with a table summarising the investigations by fraud types and grants to businesses. It was reported that to date £304,669 of payments had been stopped as a result of the investigation work. In addition the value of grants recovered via invoice totalled £240,000 to date.

RESOLVED

That the report and the performance of the Service Unit for the period April 2020 to January 2021 be noted.

40. URGENT ITEMS

There were no urgent items.

CHAIR