

AUDIT PANEL

9 November 2021

Commenced: 14:00

Terminated: 14:48

Present: Councillors Naylor (Chair), Owen (Deputy Chair), N Sharif, Kitchen, L Boyle and Costello

In Attendance:

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

Apologies for Absence: Councillors J Fitzpatrick

23. DECLARATIONS OF INTEREST

There were no declarations of interest.

24. MINUTES

The minutes of the meeting of the Audit Panel on the 28 September 2021 were approved as a correct record.

25. EXTERNAL AUDIT COMPLETION REPORT

Consideration was given to a report of the external auditors Mazars which, highlighted the key matters arising from external audit of the 2020/21 financial statements for both Tameside MBC (TMBC) and the Greater Manchester Pension Fund (GMPF).

It was reported that the audit of the Council's accounts was substantially complete. External Audit were finalising responses to queries with the Council's external valuers in respect of Property, Plant and Equipment and Investment Property. Mazars anticipated issuing an unqualified audit opinion before the end of November 2021.

The significant findings and risks set out in the Audit Completion Report were highlighted to the Audit Panel. The steps taken to address the risks and audit conclusion were set out in Appendix 1 of the report.

There was one amendment to the Financial Statements, which resulted in a change to the Council reserve levels. Due to a change in accounting regulations with effect from 1 April 2020, the Dedicated Schools Grant (DSG) reserve was no longer held as part of the Council's usable reserves, but was instead reflected as an 'unusable' reserve. This change in accounting was not reflected in the draft accounts published in July 2021. The DSG reserve was a deficit balance of £1.686m and therefore the movement of the balance from useable to unusable reserves had the effect of increasing the Council's overall useable reserves by the same amount.

A number of presentational amendments had been made to the Statement of Accounts to improve disclosure, and correct some internal inconsistency. No changes had been required that fundamentally alter any assessment of the Council's financial position at 31 March 2021 or its income and expenditure for the year then ended. No issues had been identified, which cast fundamental doubt on the overall adequacy of the financial records and the accounts maintained by

the Council. The presentational adjustments recommended by external audit have also helped to improve the overall quality of the accounts and have not impacted on the financial position reported.

It was explained that in previous years, the Value for Money Conclusion had been issued at the same time as the audit opinion on the financial statements. As set out in section 7 of the TMBC Audit Completion report, this external auditor's commentary on arrangements to secure value for money would be provided in the Auditor's Annual Report, which was due to be issued within three months of issuing the audit opinion on the accounts.

It was reported that the audit of the Greater Manchester Pension Fund accounts was substantially complete. Mazars anticipated issuing an unqualified audit opinion before the end of November 2021.

The significant findings and risks set out in the GMPF Audit Completion report were highlighted to the Audit Panel. The steps taken to address the risks and the audit conclusion was detailed in Appendix 2.

There were two amendments to the financial statements which impacted on the Net Assets Statement and Fund Account as set out in section 6 of the Audit Completion report. The overall impact of these two amendments was to increase the Net Assets of the Greater Manchester Pension Fund by £3.823m. A small number of other presentational amendments had been agreed, which improved the overall quality and presentation of the financial statements.

RESOLVED

That the Audit Panel:

- (i) Approve the adjustments and presentational changes to the accounts, as detailed in the Audit Completion Reports (Appendix 1 – TMBC, Appendix 2 – GMPF);**
- (ii) 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 once External Audit have concluded their work on the Council's Property, Plant and Equipment.**

26. AUDITED STATEMENT OF ACCOUNTS

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Director of Finance. The report presented the Statement of Accounts for Tameside MBC and the Greater Manchester Pension Fund for the year ended 31 March 2021.

The Statement of Accounts 2020/21 provided full details of the Council's financial position at 31 March 2021 and its income and expenditure for the year there ended. The accounts were prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting, which was based on International Financial Reporting Standards. The full financial statements, including the statements for the Greater Manchester Pension Fund, were attached at Appendix 1.

The report sought approval for the Statement of Accounts, which included the amendments agreed with external audit. The external audit of the Statement of Accounts was substantially complete but subject to final review and completion procedures by External Audit. There were queries outstanding with the Council's external valuers which meant that External Audit were not yet able to conclude their work on Property, Plant and Equipment (PPE).

The Audit Panel was also asked to approve delegated authority to the Director of Finance to make any further disclosure amendments recommended by External Audit as part of the conclusion of their audit. In the unlikely event of any substantive amendments to the primary statements, these would be discussed with the Chair of Audit Panel prior to the signing and publication of the final audited Statement of Accounts.

RESOLVED

That the Audit Panel:

- (i) Note the findings of external audit reported in the previous agenda Item and summarised in section 3 below;**
- (ii) Approve the Statement of Accounts for 2020/21, subject to the conclusion of the external audit; and**
- (iii) Approve delegated authority to the Director of Finance to agree any further amendments to the financial statements arising from the conclusion of the external audit work on PPE. 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.**

27. ANNUAL GOVERNANCE STATEMENT 2020/21

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services. The report sought approval for the Annual Governance Statement attached to the report at Appendix 1.

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 (as amended). 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 covered both Tameside MBC and the Greater Manchester Pension Fund. The Draft Annual Governance Statement 2020/21 was presented to the Single Leadership Team for challenge and comment on 13 July 2021 and then presented to the Audit Panel on 27 July 2021. Consultation with members was conducted via email over the summer and the deadline for responses was 3 September 2021.

The Draft Annual Governance Statement together with the Draft Statement of Accounts was published on the Council’s website on 30 July 2021. External Audit (Mazars) had reviewed the Annual Governance Statement 2020/21 as part of their audit. All comments received to date had been incorporated into the version which was attached at Appendix 1 for approval.

It was stated that a progress update had been added to the Improvement Plan at Section 5 of the Annual Governance Statement to provide members of the Audit Panel with the position as at October 2021.

RESOLVED

That the Annual Governance Statement for 2020/21 at Appendix 1 be approved ahead of it being signed by the Executive Leader and the Chief Executive.

28. TREASURY MANAGEMENT

Consideration was given to a report of the Executive Member for Finance and Economic Growth / Assistant Director of Finance. This report provided a mid-year review of the Council’s Treasury Management activities for 2021/22, including the borrowing strategy and the investment strategy.

The Financial Business Partner reported that the Prudential Indicators show the current position against the Prudential Indicator limits initially set as part of the 2021/22 Budget Report. The indicators are updated from the Capital Programme as at 30 September 2021, showing the Council’s capital expenditure plans and how these plans were being financed. Any changes in the capital expenditure plans would impact of the on the prudential indicators and the underlying need to borrow. The current prudential indicator position was shown at Appendix 1 of this report. All the indicators were within the set limits showing that the Council’s borrowing strategy remained a

prudent one.

It was explained that it was a difficult interest environment even before the Covid-19 crisis, and this along with the added uncertainty in the pandemic prompts a low risk strategy. Given this risk environment, investment returns are likely to remain low. The Council held £127.205m of investments as at 30 September 2021, with an investment portfolio yield to date of 0.30% against LIBID of -0.08%. At 31 March 2021 the portfolio consisted of £94.260m of investments. The movement was largely in relation to grants received early in the year.

RESOLVED

That the reported treasury activity and performance be noted.

29. EXTERNAL AUDIT APPOINTMENT UPDATE 2023/24

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report set out proposals for appointing the Council's external auditor for the five-year period from 2023/24.

The Local Audit and Accountability Act 2014 (the Act) at Section 7 stated that a "relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year." The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. In 2017, the Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

PSAA was now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021, all local government bodies need to make decisions about their external audit arrangements for accounting periods from 2023/24. The closing date to opt in to the PSAA arrangement was 11 March 2022. This enabled procurement and award of contracts by the statutory deadline of 31 December 2022.

This report sets out the options open to the Council and the basis of officers' recommendation to the Audit Panel to opt into the national arrangement with PSAA. The options set out in the report were as follows:

1. Option 1: Make a stand-alone appointment as Tameside Council
2. Option 2: Establish local joint procurement arrangements
3. Option 3: Opt in to Public Sector Auditor Arrangements

The report recommended option 3 in the report, It was stated that PSAA was the option selected in 2017. It was explained that given challenges and capacity in the market and the need to maintain a high quality of external audit provision, there was a strong case that this option would produce better outcomes and will be less burdensome for the Council, compared to procurement undertaken locally.

It was reported that the PSAA route was adopted by 484 of 494 bodies in the previous exercise. Feedback from across Greater Manchester and North West authorities was that they would be adopting this same approach in 2022.

RESOLVED

That the Audit Panel support the preferred option; to opt into the sector-led option through Public Sector Auditor Appointments (PSAA) for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

30. NATIONAL ANTI FRAUD NETWORK (NAFN) DATA AND INTELLIGENCE SERVICES

Consideration was given to a report of the Director of Finance / Head of Risk Management and Audit Services. The report provided members with an update on services provided by NAFN and planned future developments.

The Head of Risk Management Audit Services set out the history of the NAFN and explained that its mission and purpose was:

- To be the most effective and efficient point of contact through which members could acquire data, intelligence and knowledge to support their investigations, protecting the public purse and safeguarding the community.
- The quality of products, professional services and legal compliance would be assured and provided by a team of trained and accredited officers.
- To support members and gain their trust through communication, collaboration, innovation and continuous improvement.

Members were advised that there was no financial implication for Tameside as the NAFN was self-financing and fully funded by membership fees and external funding. Furthermore, a reserve of £500,000 was maintained to cover any redundancy costs or wind-up costs should the services of NAFN be no longer supported by member local authorities, private registered providers (housing associations) and other public sector bodies.

It was stated that since 2006 the management of NAFN had been entrusted to an Executive Board of officers appointed at each Annual General Meeting. The Executive Board consisted of at least 8 and not more than 12 representatives. The Host Authority had automatic entitlement to determine their representative on the Executive Board and this representative had full voting rights. Since 2010 the NAFN Executive Board had been chaired by Tameside's Head of Risk Management and Audit Services. The current members of the Executive Board were set out in the report.

The report detailed the key risks for the Council in hosting NAFN and the mitigations, which were already in place.

RESOLVED

That the report be noted.

31. RISK MANAGEMENT AND AUDIT SERVICES 2021/22 Q2 PROGRESS REPORT

Consideration was given to a report of the Head of Risk Management and Audit Services. The report advised Members of the Risk Management and Audit Service to Quarter 2 of 2021/22 and to comment on the results.

It was reported that the Audit Plan approved on 16 March 2021 covered the period April 2021 to March 2022 and totalled 1,666 Days. This was made up of 1,272 days on planned audits and 393 days on reactive counter fraud work/investigations.

The Audit Plan had now been reviewed to reflect the half year position and to reassess the resources available for Quarters 3 and 4 to ensure the plan reflects a realistic position. The Revised Plan for 2021/22 detailed in the report totalled 1,584 days, made up of 1,166 planned work and 418 days on reactive counter fraud work/investigations. In terms of planned days, this was an overall reduction of 107 days.

During the first half of the year, six Final Reports were issued in relation to systems and risk based audits. In addition to the Final Reports issued above, eleven Draft Reports had been issued for management review and responses and these would be reported to the Panel in due course.

RESOLVED

That the Audit Panel note the report and the performance of the Service Unit to Quarter 2 of 2021/22 and approve the Revised Audit Plan for 2021/22.

32. AUDIT PANEL FORWARD PLAN AND TRAINING

Consideration was given to a report of the Director of Finance / Assistant Director of Finance. The report set out the updated forward plan and training programme for the Audit Panel for 2021/22 and 2022/23.

Members were advised that to assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2021/22 and 2022/23, which set out the areas that should be considered by the Audit Panel. The work plan outlined in Appendix 2 had been updated to remove September 2021 and included March 2023.

The forward plan also identified proposed training for the coming year. Members of the panel were asked to consider whether any additional items or training were 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.**

33. CORPORATE RISK REGISTER UPDATE OCTOBER 2021

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

It was stated that Risk owners (responsible Assistant Directors or Service Unit Managers) 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.

Service delivery and Council working practices had returned to some normality following the lifting of Covid-19 restrictions during the UK roadmap out of lockdown in early 2021. Risk scores across the Corporate register had reduced further following the increases experienced during the 2020 lockdown.

The analysis in the report showed that there were a total of 7 Red risks across the register. When compared to the 19 Red risks reported in May 2020 it could be seen that the Council were approaching the pre-Covid level of 4 Red risks in October 2019.

RESOLVED

That the Corporate Risk Register attached at Appendix 1 be approved.

34. URGENT ITEMS

There were no urgent items.

CHAIR