

**AUDIT COMMITTEE**  
**12/09/2019 at 6.00 pm**



**Present:** Councillor Haque (in the Chair)  
Councillors Ahmad, Dean, C. Gloster, Salamat, Sheldon and Iqbal

Also in Attendance:

|                   |  |
|-------------------|--|
| Anne Ryans        | Director of Finance                          |
| Mark Stenson      | Head of Corporate Governance                 |
| Alastair Newall   | External Auditor – Mazars LLP                |
| Mark Hardman      | Constitutional Services                      |
| Dominic Whelan    | Chief Operating Officer, Unity               |
| Barbara Mulvihill | Data Protection Officer                      |
| Jane Whyatt       | Audit and Counter Fraud Manager              |
| Andy Bloor        | Assistant Manager - Counter Fraud            |
| Sabed Ali         | Assistant Manager- Internal Audit            |
| Andrew Moran      | Assistant Director of Finance<br>(Corporate) |

1           **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Hobin and Larkin.

2           **URGENT BUSINESS**

There were no items of urgent business received.

3           **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4           **PUBLIC QUESTION TIME**

There were no public questions received.

5           **MINUTES OF PREVIOUS MEETING**

**RESOLVED** that the minutes of the meeting of the Audit Committee held on 25<sup>th</sup> June 2019 be approved as a correct record.

6           **VARIATION OF ORDER AND EXCLUSION OF PRESS AND PUBLIC**

The Chair advised, with the concurrence of the Committee indicated without debate or vote, of the intention to consider item 12 at this point in the agenda and so the Committee

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it contains exempt information under paragraph 3

of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the report.



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7 **INTERNAL CONTROL MATTERS FOR PAYROLL: UPDATE**

The Committee received a report to provide assurance that the issues identified and reported previously to the Committee around internal control matters in Payroll arrangements are being dealt with appropriately. Members queried and received responses as to how improvements in the arrangements would be identified and the scheduling of implementation of new arrangements.

**RESOLVED** that the report be noted and further update reports be provided to this Committee.

8 **RE-ADMISSION OF PRESS AND PUBLIC**

**RESOLVED** that the press and public be readmitted to the meeting.

9 **2018/19 ANNUAL STATEMENT OF ACCOUNTS - UPDATE**

The Committee received a report presenting the current position regarding the audit and approval of the 2018/19 Statement of Accounts and providing an update to the following outstanding audit issues -

- correspondence from the External Auditor dated 9<sup>th</sup> July 2019 addressed to Members of the Audit Committee concerning matters of pension liability and testing of IT general controls that were left pending from consideration of the Audit Completion Report at the meeting held on 25<sup>th</sup> June 2019;
- the subsequent approval of the Statement of Accounts on 10<sup>th</sup> July 2019 on the conclusion of those pending matters in line with the delegated authority granted by this Committee to the Vice Chair of the Audit Committee and the Director of Finance (Minute 11(3) of the meeting held on 25<sup>th</sup> June 2019 refers);
- the Annual Audit Letter for the year ended 31<sup>st</sup> March 2019 provided in accordance with the Accounts and Audit Regulations 2015 and summarising the work undertaken in the year by Mazars LLP as the Council's external auditor, considering the Council's audit fee, and presenting a forward look at issues which may affect the Council in years to come; and
- the progress of the audit of the Council's Whole of Government Accounts (WGA) which was anticipated to be concluded by 13<sup>th</sup> September 2019 in line with government timelines.

Further to the report related to the WGA, the External Auditor confirmed receipt of all necessary detail and that the WGA would be submitted to government by the due deadline.

**RESOLVED** that

1. the report be noted;
2. the letter from Mazars LLP “Conclusion of Pending Matters – Audit Completion Report” dated 9<sup>th</sup> July 2019 be noted; and
3. the Annual Audit Letter for the year ending 31<sup>st</sup> March 2019 be noted.

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**LOCAL GOVERNMENT FINANCIAL RESILIENCE**

The Committee was briefed on matters related to the overall financial resilience of local government and received a report considered in the first instance by the Overview and Scrutiny Performance and Value for Money Select Committee at a meeting held on 22 August 2019 and referred also to this meeting given the role of the Audit Committee in reviewing the Council’s accounts.

The report to the Overview and Scrutiny Select Committee had followed an earlier report to that body and was submitted in light of further media attention to the financial sustainability of local authorities following the financial failure of Northamptonshire County Council in February 2018. The report provided an update on the issues facing local government and summarised a number of papers issued by a variety of organisations on local government financial sustainability.

The report and briefing thereby -

- provided an update on the ability of local authorities to withstand future budget pressures by summarising recent local authority financial failures and challenges as reported in the media;
- presented the findings of a recent Public Accounts Committee report concerning the financial sustainability of local authorities;
- highlighted the Chartered Institute of Public Finance and Accountancy’s (CIPFA’s) efforts to ensure attention on this issue remains in the spotlight through the development of a Financial Management Code which will support CIPFA’s financial resilience index; and
- provided an assessment of Oldham Council’s financial resilience.

The External Auditor noted that the issuing of statutory Notices and recommendations had been a rare occurrence, but the recent issues highlighted in the report suggested that solutions to challenges were getting increasingly difficult to achieve. Regarding Oldham’s position, it was noted that while the increase in general fund balances identified in the 2018/19 accounts increased financial reliance, the Audit Completion Report had flagged that the use of reserves to support revenue budgets in the longer term was not sustainable and the Council needed to ensure that reserves were not depleted to unsustainable levels in the longer term.

**RESOLVED** that the report on overall Local Government Financial Resilience be noted.



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## **DATA PROTECTION UPDATE**

The Committee was updated on the Council's management and assurance in relation to data protection.

The Council's Data Protection Officer continued to provide advice and guidance to the Council and, through formally agreed service level agreements (SLA), to other bodies in Oldham. Under the same SLAs, the Information Management Team continued to provide support and expertise across the wider information governance arena. The Data Protection Board meets every two months to receive data protection plan progress updates and to discuss information management requirements in relation to local and Greater Manchester Combined Authority activities.

Phase 1 of the Council's Data Protection Plan, the GDPR implementation project, was completed in September 2018. Phase 2 of the Plan would continue implementation of the legislation, embed policies and practice as presented in the submitted report and further described to the Committee. The submitted report presented an overview of data protection performance in delivering Phase 2.

Responding to a Member's raising of the circumstances of a potential data breach, it was reported that work to improve processes occurred following such instances which in many cases occurred following human error. Following a query as to activities being undertaken within data protection, the taking on of additional staff, the development of knowledge and learning, links with a Greater Manchester forum to ensure working to common policies and procedures where required, liaison with a regional safety forum, development of e-learning for staff, and the review of data protection processes were highlighted.

**RESOLVED** that the report be noted.

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## **COUNTER FRAUD AND CORRUPTION POLICIES AND PROCEDURES**

The Committee received a report presenting Counter Fraud and Corruption Policies and associated planning documents that had been updated following a review and in pursuance of the Accounts and Audit Regulations 2015 that required the Council to have measures in place "to enable the prevention and detection of inaccuracies and fraud".

The Council's Financial Procedure Rules required the Head of Corporate Governance to be responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud Team operated in accordance with practice recommended by the Chartered Institute of Public Finance and Accountancy

(CIPFA) and adhered to guidance issued by the Cabinet Office relating to professional Counter Fraud standards across the public sector.



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The Committee received a description of the background to and matters taken into consideration in reviewing the following documents –

- the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, which includes corporate sanctions except for Council Tax Reduction sanctions;
- the Local Council Tax Reduction Scheme Sanction Policy 2019;
- the Anti-Money Laundering Policy 2019;
- the CIPFA Fighting Fraud and Corruption Locally 2016 – 2019 Checklist; and
- the Fraud and Loss Risk Assessment 2019.

Members sought clarification on the criteria and considerations given as to the application of penalties in respect of the Local Council Tax Reduction Scheme Sanction Policy and in respect of the use of the Electoral Roll for data matching purposes which had been authorised by the Audit Commission some years ago.

With regard to Council Tax recovery, the means by which efforts to recover monies were outlined but, in response to a query, it was acknowledged that where a person left the country it was extremely difficult to pursue the case. Further to comments from a Member relating to issues presented by transient communities, a possible lack of awareness that Council Tax Reduction applications needed to be made to the Council, and issues relating to data matching with central government organisations, Officers advised of an improving position with availability of real time data from, for example, HMRC and the Department for Work and Pensions, which could assist with some of these issues. Members queried the availability of data on cases and outcomes by area and Officers undertook to consider what further information could be provided alongside the regular counter fraud progress report which was due to be presented at the next meeting.

**RESOLVED** that the report be noted and the updated counter fraud and corruption policies and procedures referenced below be approved –

- the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan;
- the Local Council Tax Reduction Scheme Sanction Policy 2019;
- the Anti-Money Laundering Policy 2019;
- the CIPFA Fighting Fraud and Corruption Locally 2016 – 2019 Checklist; and
- the Fraud and Loss Risk Assessment 2019.

**UPDATE ON AUDIT COMMITTEE MATTERS**

The Committee received a report pertaining to a number of matters related to the Audit Committee.

**Recruitment of Audit Committee Chair**

The position of Chair of the Audit Committee is reserved for an Independent appointment. A recruitment exercise undertaken had not proved successful and it was proposed to re-advertise the role in September 2019.

**Tender for External Audit Services**

Currently three separate external auditors were appointed by the Council in respect of its 100% owned companies and for external grants/pension returns requiring audit. It was proposed to undertake an exercise to tender for just one provider and to send out invitations to tender in September 2019 with selection in October 2019 and appointment in November 2019.

**Treasury Management Update**

The Committee was advised of a recent downward movement in Public Works Loan Board (PWLB) interest rates and, after careful consideration, of the decision to borrow £20m from the PWLB at a rate considered to be the best attainable at the time.

**RESOLVED** that

1. the planned approaches to recruit an Independent Chair of the Audit Committee and a single external auditor for the Council's 100% owned companies and external grant/pensions returns requiring audit be noted; and
2. the update on the Council's borrowing position be noted.

**EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it contains exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the report.

**FOLLOW UP ON ANNUAL GOVERNANCE STATEMENT FOR 2018/19 AND NEW ISSUES ON GOVERNANCE IN 2019/20**

The Committee received a report presenting actions taken in the financial year to mitigate risks associated with the eight issues reported in the 2018/19 Annual Governance Statement and opinions on the current position in each case, and new issues that may need to be considered for inclusion in the 2019/20 Annual Governance Statement. Further to the submitted report, issues arising related to the Corporate Risk Register were highlighted. Members further received briefings on matters related to litigation and internal governance which it was considered were appropriate to bring to the attention of the Committee.

**RESOLVED** – That the report be noted.

The meeting started at 6.00 pm and ended at 7.47 pm

