

**AUDIT COMMITTEE**  
**10/01/2019 at 6.00 pm**



<b>Present:</b>	Councillors Ahmad, C. Gloster, Haque (Vice-Chair), Sheldon, Taylor and Toor	
	Also in Attendance:	
	Anne Ryans	Director of Finance
	Mark Stenson	Head of Corporate Governance
	Jane Whyatt	Audit and Counter Fraud Manager
	Alastair Newall	Senor Manager, Mazars External Auditors
	Karen Murray	Director and Audit Engagement Lead, Mazars External Auditors
	Marianne Dixon	Grant Thornton External Auditors
	Sabed Ali	Assistant Manager Internal Audit
	Andrew Bloor	Assistant Manager Counter Fraud
	Fabiola Fuschi	Constitutional Services Officer

1           **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

Councillor Haque chaired this evening's meeting.

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 Audit Committee meeting held on 6<sup>th</sup> September 2018 be approved as a correct record.

6           **NOTIFICATION OF COMPLETION OF THE 2016/17 AND 2017/18 ACCOUNTS AUDIT**

The Committee considered a report of the Finance Manager (Capital and Treasury) which informed of the formal completion of the 2016/17 and 2017/18 accounts audit and issue of the of the Annual Audit Letter by the Council's External Auditor, Grant Thornton UK LLP. This followed the conclusion of all audit work regarding the outstanding objection to the 2016/17 Statements of Accounts. The auditors had also provided the Council with the Annual Audit letter which detailed the audit work completed in the year together with the Audit Fee.

This concluded the work of Grant Thornton Auditors for the Council. The Chair of the Committee thanked the External Auditors for their services and assistance throughout the time of their appointment.

**RESOLVED** that the notification of the completion of the 2016/17 and 2017/18 accounts audits and the issue of the Annual Audit letter by Grant Thornton UK LLP be noted.

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## **AUDIT STRATEGY MEMORANDUM**

Consideration was given to a report of the Head of Corporate Governance which set out the proposed Audit Strategy Memorandum for Oldham Council for the year ending on 31<sup>st</sup> March 2019. This was the first year of the audit by Mazars.

The Director and Audit Engagement Lead and the Senior Manager from Mazars were in attendance to present the Audit Strategy Memorandum and to address the enquiries of the Committee.

It was explained that this document summarised Mazars' audit approach. The four areas of responsibilities of the External Auditors were outlined; they derived from the relevant national legislation and from the National Audit Office's Code of Practice.

The audit approach was risk-based and primarily driven by the matters that led to a higher risk of material misstatement of the financial statements. The different stages of the audit were explained. The external auditors would be in site next week to commence the interim audit. The final audit would take place between April and May 2019; it would be finalised and brought to this Committee in June 2019. Although the External Auditors worked closely with the internal audit team, they did not plan to rely on the work of the internal audit.

The two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited would be audited separately from the Council as assurance over their transactions would need to be obtained by the External Auditors.

The materiality level was set at a similar level to last year's threshold. Therefore, the overall materiality for 2018/19 was expected to be £10 million for the audit of the Group financial statements and £9.99 million for the Council's single entity financial statement.

The External Auditors would also look at whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Elected Members sought and received clarification / commented on the following points:

- The two wholly owned subsidiary companies would have separate audit fees and audit regime;
- Reassurance was provided over the fact that the Audit Strategy Memorandum complemented the internal audit plan.

**RESOLVED** that the Audit Strategy Memorandum for 2018/19 be noted.

8 **AUDIT PROGRESS REPORT**

The Committee considered a report of the External Auditors which provided an update on progress in delivering their responsibilities for 2018/19.

The report was presented by Mazars' Director and Audit Engagement Lead.

**RESOLVED** that the content of the report be noted.

9 **TREASURY MANAGEMENT HALF YEAR REVIEW**

Consideration was given to a report of the Director of Finance which sought to advise the Committee as to the key issues within the 2018/19 Treasury Management Half Year Review report. The matters below were outlined:

- Compliance with Statutory and the Chartered Institute of Public Finance and Accountancy's requirements;
- Changed in the Authorised Limit and Operational Boundary;
- The Council's Capital Expenditure and Financing during the first half of 2018/19;
- The Council's overall borrowing need;
- Treasury position at 30<sup>th</sup> September 2018;
- Borrowing outturn;
- Investment portfolio;
- Other key issues such as: UK Banks ring-fencing, the International Financial Reporting Standards and the nine accounting standards that came into effect from 1<sup>st</sup> April 2018 and the claim against Barclay Bank.

**RESOLVED** that the content of the Treasury Management Half Year Review 2018/19 be noted.

10 **EXTERNAL AUDIT FOR GRANTS 2018/19**

The Committee considered a report which set out the appointment of KPMG UK LLP as the External Auditor to the Council for the Housing Benefit Subsidy Grant and Teachers Pension Agency Return for the financial year 2018/19.

**RESOLVED** that the appointment of KPMG UK LLP to undertake the direct grants audit be noted.

11 **AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered a progress report of the Head of Corporate Governance which sought to inform of the first eight months of the financial year 2018/19, the work undertaken by the Internal Audit and Counter Fraud Team and the progress on the matters required by the Code of Practice for Internal Audit.

The Audit and Counter Fraud Manager presented the information and addressed the enquiries of the Committee.

The performance by the Audit and Counter Fraud Team for the first eight months were outlined. It was explained that for the current financial year, there was a newly agreed Corporate Performance Indicator which was reported using the Corvu system, managed by the Business Intelligence Team. In quarter three, the Council had achieved the agreed target. It was anticipated that the Council would continue to achieve this target by the end of the year. Performance against the target would be monitored and arrangements would be made by the Head of Corporate Governance to support managers across the Council as required.

Members sought and received clarification / commented on the following points:

- Fundamental Financial System Interim Final Report Payroll – It was explained that since July 2018 significant resources had been put into this area and the overall position had improved compared to the previous report.
- Members requested that, in order to have a better overview of the internal audit process and of the audit opinions, previous reports be made available for comparison. Members also mentioned that they would find helpful to receive case studies to better understand the issues that affected certain services.

**RESOLVED** that the 2018/19 progress report for the first eight months of the financial year 2018/19 be noted.

12 **EXCLUSION OF THE 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 items of business on the grounds that they contain 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 reports.

13 **INTERNAL CONTROL MATTERS PEOPLE AND PLACE DIRECTORATE**

Consideration was given to a report of the Head of Corporate Governance which summarised the internal control matters identified by the Audit and Counter Fraud Team since 1<sup>st</sup> March 2018 for consideration by managers in the People and Place Directorate.

**RESOLVED** that the content of the report be noted.

14 **FOLLOW UP ON ANNUAL GOVERNANCE STATEMENT FOR 2017/18 AND NEW ISSUES ON GOVERNANCE IN 2018/19**

The Committee considered a report of the Head of Corporate Governance on the progress made to reduce the risk of issues arising for the Council to address, where matters had been identified as areas requiring improvement in internal control within the Annual Governance Statement for 2017/18.

A verbal update was also provided on new issues on Governance in 2018/19.

**RESOLVED** that the content of the report and the verbal update be noted.



**Oldham**  
Council

The meeting started at 6.00 pm and ended at 7.42 pm