

AUDIT COMMITTEE
07/03/2019 at 6.00 pm



Present: Councillor Haque (Vice-Chair, in the Chair)
Councillors Ahmad, C. Gloster, Sheldon, Taylor and Rehman (for items 1-9 only)

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars
Jane Whyatt	Audit and Counter Fraud Manager
Lee Walsh	Finance Manager - Capital & Treasury
Sabed Ali	Assistant Manager- Internal Audit
Helen Cairns	Senior Accountant
Barbara Mulvihill	Data Protection Officer
Sian Walter-Browne	Constitutional Services

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dean, Salamat and Toor.

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 10th January 2019 be approved as a correct record.

6 AUDIT PROGRESS REPORT

Consideration was given to a report of the Head of Corporate Governance which provided an update on general matters as set out in the attached Audit Progress Report from Mazars, the Councils External Auditor.

Members noted the progress made since the last meeting and that there were no significant matters arising from the work of the External Auditors that they were are required to report.

The External Auditor highlighted to the Committee recent publications concerning how local authorities responded to qualified value for money conclusions, governance arrangements and the NHS long-term plan. The Committee noted the National Publications available.

Members enquired about training available from the external Auditors and were informed that a training programme was being developed. Training could be generic or be specific to Oldham.

RESOLVED that the Audit Progress Report be noted.

7

DATA PROTECTION UPDATE

The Committee gave consideration to a report of the Data Protection Officer which updated them on the Council's progress to implement the Data Protection Act 2018.

Members were informed that the revised Data Protection Act 2018 (DP18) introduced with effect from 25 May 2018 brought into effect requirements applicable to the Council in the form of:

- The European Union (EU)'s General Data Protection Regulations (GDPR) with permissible modifications by the UK Government.
- The EU's Law Enforcement Directive. This was part of the EU's data protection reform framework and was separate from the GDPR. This was applicable to the Council as a 'competent authority' for law enforcement purposes.
- The functions and powers of the Information Commissioners Office (ICO).
- Changes in relation to the interface between data protection and the Freedom of Information Act 2000/Environmental Information Regulations 2004.

The Committee had agreed to receive reports twice yearly and this was the second update report for 2018/19.

Members noted the current position and the uncertainty with regards to the impact of Brexit.

Members asked for and received clarification on the following:-

- RoPA – this was a new element from the Data Protection Act 2018 and was a list in electronic form of general data collected and sensitive information. Where information was sensitive, the Council needed to justify why it was collected and the lawful basis for this. The list was not to be published but needed to be produced to the Information Commissioner on request.
- Law Enforcement Directive – this set out complex rules governing the use of personal data for law enforcement purposes.

RESOLVED that the contents of the report be noted.

8

AUDIT COMMITTEE TREASURY MANAGEMENT STRATEGY STATEMENT 2019-20

Consideration was given to a report of the Director of Finance which set out the 2019/20 Treasury Management Strategy (including Minimum Revenue Provision policy statement, annual investment strategy and prudential indicators together with linkages to the Capital Strategy).



The Committee was informed that the Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. It was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the Code) also required the receipt by full Council of a Treasury Management Strategy Statement.

In 2017 the Chartered Institute of Public Finance & Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. The main requirement was that for 2019/20, all Local Authorities had to prepare an additional report, a Capital Strategy report. The Council has traditionally prepared a Capital Strategy, however under the new guidance additional disclosures had been added to ensure compliance. The Capital Strategy was referenced within the 2019/20 Treasury Management Strategy.

Members noted that the report met the current statutory requirements and complied with both the revised Treasury Management Code and the CIPFA Prudential Code of Capital Finance in Local Authorities (the Prudential Code).

It was also noted that the report had already been approved by Cabinet on 11 February 2019 and was approved by Council on 27 February 2019.

Members noted the new requirement to include commercial activity debt and that this formed a small percentage of the Council's overall debt.

Members asked for and received clarification on the following:-

- Preparation for uncertainty due to Brexit – the Council had ensured it would have access to funds at the end of the financial year as there could be delays in normal grant transactions.
- HRA account - immediate spend was programmed for supported housing for adults with learning disabilities and there were plans in place for the future.
- Ethical investment – this had been discussed previously and was a complex area.

- Investments maturing in 2019/20 – the table in the report showed fixed-term deposits that would not continue. If the resources were still required, the borrowers could negotiate a new deal.

RESOLVED that the contents of the report be noted.

9

INTERNAL AUDIT CHARTER 2019-20

The Committee gave consideration to a report of the Head of Corporate Governance which advised them of the proposed Internal Audit Charter for 2019/20.

Members were informed that the work of Internal Audit at Oldham Council had been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The Standards comprised a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards were mandatory for all Internal Auditors working in the UK public sector.

The 2018/19 Internal Audit Charter was approved by the Audit Committee on 19 March 2018 and Appendix 1 to the report included the updated Charter for 2019/20.

Members asked for and received clarification on the following:-

- Value for money audits – the operational reviews included systems and processes and would look at value for money.
- Standard format – there was no standard format, however the contents of the Charter were specified. All requirements had been met when the Charter was audited in 2017.
- Counter-Fraud plan - the Plan was available on the Council's website. Fraud mainly occurred around council tax and personal welfare payments.

RESOLVED that the Internal Audit Charter, effective from 1 April 2019, be approved.

10

AUDIT AND COUNTER FRAUD PLAN 2019-20

Consideration was given to a report of the Head of Corporate Governance which advised on and consulted with Members on the proposed Internal Audit and Counter Fraud Plan for the financial year 2019/20 and gave the Committee the opportunity to highlight any potential risks they felt would benefit from an Internal Audit and Counter Fraud review.

The Committee was informed that the Annual Audit and Counter Fraud Plan was prepared on an annual basis and ultimately agreed with the Director of Finance as the Section 151 Officer to the Council. The Director of Finance needed to be assured the audit coverage was sufficient to discharge the S151

officer's statutory role. Consultation with the Audit Committee at this stage gave Members the opportunity to review and comment on the proposed Annual Plan.

Members were informed that fourteen systems were audited twice per year and a lighter approach may be considered with some of them in future, based on risk. Children's financial systems may be included if this reached the materiality level.

The Committee noted work was due to start in the area of health integration. The operation of pooled budgets would be audited along with governance arrangements.

Members asked for and received clarification of the following:-

- Sufficient staff to undertake the work – there were sufficient staff and the scope of the audits was clearly defined. The strategy could be reviewed if required.
- Short-term tenancies and council tax debt – this may be an area to be considered in the future by the Counter-Fraud Team if it was believed there could be wider issues rather than isolated cases.
- Joint reviews with NHS auditors – the terms of reference were agreed for joint reviews.
- Clean Air Initiative – this would be operated by TfGM, which would receive all funding and income.
- Audit universe – this was the list of everything that could be audited from which issues were picked to form the Plan.

RESOLVED that the Internal Audit and Counter Fraud Planning process and the Audit and Counter Fraud Plan for 2019/20 be agreed.

11

2018-19 PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

Consideration was given to a report of the Finance Manager (Capital and Treasury) which sought approval, in line with best practice principles, for the significant accounting policies and the critical judgements to be adopted in the preparation of the Council's 2018/19 Statement of Accounts.

The report set out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2018/19 Statement of Accounts and updated Members on the main differences from 2017/18.

Members were informed that policies were reviewed annually in line with CIPFA and Council requirements.

Members noted the main changes relating to IFRS 9 and IFRS 15. The implications of the changes to IFRS 9 were set out in the report and there were no significant implications for the Council in the changes to IFRS 15.

One additional critical judgement had been added in relation to how the shareholding in Manchester Airport Holdings Ltd. was recorded. In accordance with practice agreed by all 10 Greater Manchester Councils, the shareholding is to be treated as a strategic investment with any gains or losses on the valuation of the shareholding being transferred to a Financial Instruments Revenue Reserve and not impact on the General Fund revenue account.

RESOLVED that:-

1. The Council's proposed accounting policies to be adopted in completing the 2018/19 Statement of Accounts be approved.
2. The critical judgements made by management when producing the Statement of Accounts 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 **SENIOR INFORMATION RISK OFFICER**

Consideration was given to a report of the Head of Corporate Governance which updated Members on the background to, role of and responsibilities of the Senior Information Risk Officer (SIRO).

The Committee was also updated on information security breaches, risk issues/actions.

Members asked for and received clarification on the following:-

- Security of laptops outside the office – the Council had a policy in relation to use of IT equipment and all staff were required to undertake online training in relation to security.

RESOLVED that the content of the report be noted and the frequency of future reporting by the SIRO be agreed.

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

The Committee gave consideration to a report of the Head of Corporate Governance which:

- a) Updated the Audit Committee on the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the Annual Governance Statement for 2017/18.

- b) Identified new risks which, at this stage, were considered appropriate for potential inclusion in the Annual Governance Statement for the financial year 2018/19.



Members received an update highlighting the key issues in the Corporate Risk Monitor report and Corporate Risk Register. This update set out the key risks and dates for the Authority based upon an assessment as at the end of February 2019.

The Council, as part of its Statement of Final Accounts produced an Annual Governance Statement. This identified the significant governance issues that the Council needed to consider at the financial year-end to reduce its risk. In this report there was consideration of the progress made on the issues identified in the published Statement for 2017/18 and emerging issues considered for inclusion in the financial year 2018/19.

Appendix 1 detailed the issues reported in the 2017/18 Annual Governance Statement and the actions taken during this financial year to mitigate these risks. It also gave an opinion on the present risk as at 27 February 2019 based upon a Red/ Amber/ Green (RAG) rating.

Appendix 2 detailed those new issues that may need to be considered for inclusion in the 2018/19 Annual Governance Statement, prior to its production and signing by the Chief Executive and Leader of the Council. The Council had an opportunity to address these issues before they were formally included in the Statement.

RESOLVED that the Committee noted:-

1. The progress made by the Council on addressing issues reported in the 2017/18 Annual Governance Statement.
2. The issues emerging during 2018/19 to be considered for inclusion in the 2018/19 Annual Governance Statement.
3. The latest position on the current litigation the Council was taking against Barclays Bank in respect of Lender Option Borrower Option (LOBO) Loans.

The meeting started at 6.00 pm and ended at 8.00 pm