

**AUDIT COMMITTEE**  
**06/06/2019 at 6.00 pm**



**Present:** Councillor Haque (Vice-Chair, in the Chair)  
Councillors Ahmad, Dean, C. Gloster, Sheldon, Hobin, Iqbal and  
Hewitt (Substitute)

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Jane Whyatt	Audit and Counter Fraud Manager
Alastair Newall	Mazars External Auditors
Sabed Ali	Assistant Manager - Internal Audit
Helen Cairns	Senior Accountant
Lori Hughes	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury

**1            APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Larkin and  
Councillor Salamat.

**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 7<sup>th</sup> March 2019 be approved as a correct record.

**6            FEEDBACK ON SPECIFIC EXTERNAL AUDITS 2017/18**

Consideration was given a report which provided formal  
feedback from the Housing Benefit Subsidy Claim audit for  
2017/18 which was appended to the report and an update on  
the progress made towards obtaining the Teachers' Pension  
Audit Certification for 2017/18.

The Housing Benefit Subsidy Claim was qualified for the fourth  
successive year due to issues around obtaining appropriate  
evidence on self-employed income as detailed in the letter  
attached at Appendix 1 to the report. The qualification did not  
impact on the amount of subsidy claimed and certified as correct  
by the External Auditor for 2017/18 which was Grant Thornton  
UK LLP.

The audited return for Teachers' Pensions was submitted to the  
Teachers' Pensions Agency by the External Auditor, Grant  
Thornton UK LLP, in April 2019 which was later than the  
planned submission date as it had been expected that the audit

would have been completed by the end of November 2018. Due to the delay, the Teachers' Pension Agency referred the matter to the Pensions Regulator. There had been no communication from the Pensions Regulator in this regard.

Members raised the issue of housing benefits and the impact of incorrect calculations on claimants and that it was important to ensure that the calculations were correct. Members were informed of the training arrangements in place for staff. Members also raised the issue of self-employment and commented that this was a volatile area.

**RESOLVED** that the feedback on the Specific Audits undertaken related to the Financial Year 2017/18 be noted.

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## **EXTERNAL AUDITOR - QUESTIONS FOR MANAGEMENT**

Consideration was given to questions and responses provided to the External Auditor's queries regarding management processes and arrangements. The External Auditors were required by auditing standards to maintain a good understanding of the Council's management process and arrangements which enabled the External Auditor to deliver an efficient audit. The questions and responses provided assurance that there was no fraud or errors in the accounts.

The questions and responses were explained to members. The following was highlighted:

- The training and technical knowledge of staff
- Review of fundamental financial systems;
- Fraud risks would be brought to the attention of the Audit Committee and picked up through assurance processes;
- Compliance with relevant laws and financial regulations assurance;
- Mitigation of risks;
- In depth financial reviews of balances and fixed assets;
- Quality assurance in place for preparation of accounts; and
- Training related to the Bribery Act via e-learning.

The External Auditor was asked and confirmed that this was a thorough and comprehensive response and provided assurance and comfort on key question areas.

**RESOLVED** that the questions asked by the External Auditor, Mazars, and the responses provided be noted.

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## **EXTERNAL AUDITOR - QUESTIONS FOR THOSE CHARGED WITH GOVERNANCE PROCESS AND ARRANGEMENTS**

The External Auditors, Mazars, were required by auditing standards to maintain a good understanding of the Council's management processes and arrangements which enabled them to deliver an efficient audit. The External Auditors asked the

Vice Chair on behalf the Audit Committee a series of questions related to the oversight of management's processes and assurance of adherence to all relevant laws and regulations.

The questions and responses were similar to those as noted at Item 7 on the agenda.

**RESOLVED** that the questions asked by the External Auditor, Mazars, and the responses provided be noted.

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## **REVIEW OF THE SYSTEM OF INTERNAL AUDIT BY THE AUDIT COMMITTEE**

Consideration was given to a report which provided an update to the Audit Committee, following the 2017/18 external and the 2018/19 internal assessments of the system for Internal Audit within the Council.

The external assessment had been conducted by the Chartered Institute of Finance and Accountancy (CIPFA) in September 2017 and the internal assessment, conducted by the Head of Corporate Governance in 2018/19. The assessment was based on a "Balanced Scorecard" approach scoring certain aspects of the overall Corporate Governance Services against specific criteria from the Public Sector Internal Audit Standards (PSIAS) use a Red, Amber/Red, Amber/Green and Green scoring system as agreed by the previous Audit Committee.

The 2018/19 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concluded that the service was good. The assessment had concluded that the following criteria were assessed as Amber/Red and would require management attention in 2019/20 around the wider system of Internal Audit and Control:

- One element of Internal Audit was assessed as Red as it related to the use of automated audit software
- One element of Corporate Initiatives and Monitoring was Amber/Red related to the criteria "Payroll has an inadequate opinion" which reflected the ongoing challenges around the improvement of the audit opinion on this Fundamental Financial System.

The external assessment by CIPFA concluded that the Audit and Counter Fraud service operated in accordance with best practice.

Members sought and received clarification on the use of automated software and were informed of systems currently in use and solutions being explored.

Members also sought and received clarification on the payroll controls which had improved with increased resources and changes to a dedicated payroll system.

**RESOLVED** that the self-assessment of Internal Audit by the Head of Corporate Governance of the overall system be noted as fit for purpose in 2018/19.

## **2018/19 ANNUAL REPORT TO THE AUDIT COMMITTEE**

Consideration was given to the Annual Report for 2018/19 presented by the Head of Corporate Governance and reported on the matters required by International Auditing Standards and the 2013 UK Public Sector Internal Audit Standards (Revised 2017).

The Head of Corporate Governance reported on the Internal Control Environment in place within a number of directorates at selected meetings which arises from Internal Audit work. It was proposed to continue this process in 2019/20 and to keep this Annual Report as a summary to the Audit Committee. The report was supported by Appendices attached to the report as follows:

Appendix 1: Annual Report and Head of Corporate Governance Opinion of the System of Internal Control for the year ended 31 March 2019 to assist the Committee's review of the 2018/19 Annual Governance Statement (AGS) and with the future review of the Statement of Final Accounts.

Appendix 2: Internal Audit and Counter Fraud: 2018/19 Final Reports and other Outputs.

Appendix 3: Internal Audit and Counter Fraud Key Performance Indicators (KPIs): 2018/19 Achievements and 2019/20 Targets.

The 2018/19 AGS identified eight significant issues for the Council to mitigate risks during 2019. The report supported the progress made against the issues raised in the 2017/18 AGS and demonstrated overall improvement in control and financial administration across the Council during 2018/19.

Members were informed of the change in format of the report to comply with professional standards, best practice and guidance from CIPFA.

The summary of audits completed was highlighted as well as financial management and stability. Members were informed of the overall systems audit, stability in key financial systems, treasury management and bank reconciliations were good, payroll had improved, adult social care had seen some improvement, no financial system had been assessed as weak and a new HR Payroll system was being developed with a key focus on data quality to migrate to the new system. Members were informed of work on Contract Procedure Rules and Land and Property Protocols. Members were informed that targets had been exceeded for the year.

Members asked about the aspirations for and the actions required to increase audit opinions and move to good.

Members sought and received clarification on the oversight of capital projects through the Capital Investment Programme

Board. Members were also informed of the link to Scrutiny and the Performance and Value For Money Select Committee.



Members asked about external reviews and were informed of the CIPFA Assessment a year ago and reviews by external auditors. Members asked about the Financial System Engagement Session and were advised that this was a training session on the financial system with Unity on Revenue and Benefits.

Members sought and receive clarification on the calculation of direct payments and elements of recoveries. Members also sought and received information on whether there were sufficient investigators.

Members asked how performance was achieved and were informed that training had been increased in order follow up on actions.

**RESOLVED** that the 2018/19 Annual Report and the continued developments in overall internal control and financial administration across the Council be noted.

**NOTE:** Councillor C. Gloster entered the meeting during this item.

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## **ANNUAL GOVERNANCE STATEMENT FOR 2018/19**

Consideration was given to a report which provided an update on the Annual Governance Statement for 2018/19. The Council, as part of the Statement of Final Accounts produced an Annual Governance Statement which identified significant governance issues that the Council needed to consider at the financial year-end to reduce risk.

The Annual Governance Statement was presented at Appendix 1 of the report.

The challenging issues of internal control had been identified in the updated report on issues in the 2017/18 AGS and other issues for consideration which had been discussed by the Audit Committee at previous meetings. This had informed the production of the 2018/19 AGS. A total of 8 issues had been identified for inclusion in the AGS and for the Committee to monitor how risk was to be reduced going forward. These were detailed at Appendix 1 to the report and included the need to strengthen internal control within both the Payroll System and those leading to payments on Adult Social Care.

Members were informed of previous years' issues and also new issues on Children's Social Care and Dedicated Schools Grant.

**RESOLVED** that the 2018/19 Annual Governance Statement be noted.

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## **2018/19 ANNUAL STATEMENT OF ACCOUNTS**

Consideration was given to the draft Statement of Accounts for 2018/19.

The report highlighted the following:

- The overall revenue outturn position for 2018/19 was as surplus of £0.849m. This was an increase on the favourable variance of £0.255m projected at month 9 that was reported to Cabinet on 25 March 2019.
- The year-end variances that were attributable to each Portfolio.
- Schools balances at 31 March 2019 were £6.925m but were offset by the deficit on the Dedicated Schools Grant (DSG) of £2.723m leaving a net balance of £4.202m held within other earmarked reserves.
- The final Housing Revenue Account (HRA) balance was £21.305m.
- The balance on the Collection Fund was a surplus of £4.147m.
- The small reduction in revenue account earmarked reserves of £2.108m to a level of £80.623m, an increase in other earmarked reserves to a level of £12.935m and an increase in balances to £14.840m reflective of the revenue outturn position.
- Expenditure on the Council's Capital Programme for 2018/19 was £48.564m which is a small increase on the month 9 forecast expenditure of £48.267m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2018/19.
- Capital Receipts in year totalled £6.180m, which when taken with the brought forward balance, gives a total of £14.927m, which was used to finance the Capital Programme in year.
- The significant items in each of the primary financial statements.
- The performance of the Finance Team in closing the accounts.

Members were informed that in accordance with good practice, Committee Members had been sent the draft accounts prior to the issue of the agenda to allow a greater opportunity to ask questions or queries related to the statements. The accounts had been handed to the External Auditors on 2 May, the 30-day public inspection period began on 10 May and would finish on 21 June. The final accounts would be presented to the Audit Committee for approval on 25 June. Due to new CIPFA guidance and requirements the length of the accounts had increased.

The External Auditor informed members that the audit was in progress and hoped to be finished soon. The support from Finance staff had been good and team members had been helpful. The auditor's report would be brought to the next



meeting subject to any objections being received. There was nothing of major concern at this time.



The summary of accounts, the budget for the current year and the challenges faced were outlined. There were 38 detailed notes to the accounts and, in addition to the Core Statements, included Supplementary Statements related to the Housing Revenue Account (HRA) and Collection Fund. The Group Accounts for the first time incorporated Unity Partnership.

The following was highlighted:

- Pressures linked to Children's Social Care, Catering and Cleaning and Home to School Transport – these pressures have been considered within the 2019/20 budget process;
- In year underspending occurred linked to capital financing and also the control of recruitment and general spending;
- Schools balances had increased but there remained a deficit on the Dedicated Schools Grant with demands on high needs which were in excess of funding available. A recovery plan was to be sent to the Department for Education by 30 June;
- Healthy positions were noted for the HRA and collection fund;
- Reserves and balances were key areas of focus when considering the financial health of the Council;
- General reserves had a slight reduction but a strong overall position had been maintained.
- The capital outturn was in line with that projected at Month 9; and
- Long-term and short-term investment levels were considered to be adequate.

Members noted the hard work of the Finance Team with the changes which had taken place and the new requirements in the preparation of the Final Accounts.

Members sought and received clarification on the pensions and the Council element of the Greater Manchester Pension Fund. Members were informed that an elected member from Oldham sat on the Greater Manchester Pension Fund Management/Advisory Panel and the ethical approach to investments.

Members sought and received clarification on the Parish Precept payments with regards to council tax and a grant. The grant payable to Parish Councils had for several years been passported in line with funding received from central government and had then been reduced in proportion to the reduction of the overall grant received by the Council.

Members commented on the complexity of the accounts and how it would be difficult for a member of the public to understand the accounts. There were also comments that the spend on

consultants, agency and sickness was not specifically highlighted. It was clarified that these were part of the revenue outturn but that there was no actual requirement to include that information in the accounts.

Members sought clarification as to why some officers names were provided on the Officers' Remuneration section and some were not and it was explained that only those earning over a certain amount had to be named.

Members sought and received clarification on the increased resources allocated to Children's Services which was intended to address the overspend in 2018/19 via a restructuring plan.

**RESOLVED** that the draft Statement of Accounts for 2018/19 be noted.

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**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.

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**GOVERNANCE MATTERS**

Consideration was given to a report which provided an update on the Corporate Risk Register and matters that were required to be brought to the attention of the Audit Committee.

**RESOLVED** that the recommendations as contained within the commercially sensitive report be noted.

The meeting started at 6.00 pm and ended at 8.10 pm