

AUDIT COMMITTEE
20/01/2020 at 6.00 pm



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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars External Auditors
Lee Walsh	Finance Manager - Capital & Treasury
Sabed Ali	Assistant Manager- Internal Audit
Andy Bloor	Assistant Manager - Counter Fraud
Caroline Lee	Head of Revenues, Benefits and Business Support
Sian Walter-Browne	Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Hobin and Councillor Dean

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 14th November 2019 be approved as a correct record.

6 **MEMBER TRAINING**

A training session was delivered to Members.

7 **AUDIT STRATEGY MEMORANDUM 2019/20**

Consideration was given to a report of the Head of Corporate Governance to which was appended the External Auditor's proposed Audit Strategy Memorandum for Oldham Council for the for the financial year 2019/20.

The Audit Strategy Memorandum set out the proposed work to be undertaken by the external audit team on the 2019/20 Statement of Final Accounts including the Value for Money Opinion which was linked into the future financial resilience of the Council.

The Partner and Audit Engagement Lead from Mazars LLP was 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

Auditor 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 planning stage had taken place in November/December 2019. The interim audit would be undertaken in January/February of 2020, with field work between April and May 2020. The audit would be finalised and brought to the Audit Committee in June 2020.

It was outlined to the Committee that although the External Audit team worked closely with the Internal Audit team, they did not plan to rely on the work of internal audit.

The two wholly owned subsidiary companies, the Miocare Group Community Interest Company and The Unity Partnership Limited would be audited as part of the Council's Group. The plan was to obtain assurance from analytical procedures and the Audit Committee would be informed of any change to this.

The materiality level was set at a similar level to last year's threshold. Therefore, the overall materiality for 2019/20 was expected to be £13.5 million for the audit of the Group financial statements and £13.4 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:

- Reliance on Internal Audit – Members were informed that External Audit could not use Internal Audit resources, however they worked together to ensure there was no duplication.
- Resources at Mazars – Oldham Council Finance Officers worked with the External Auditors throughout the year and produced good accounts early in the process, meaning fewer resources were required.
- Significant risk in relation to reserves – The External Auditor's role was to ensure that the Council made sustainable arrangements. This involved ensuring there was less reliance on reserves over time and that savings plans were deliverable. Oldham had a very robust process in place for this.

RESOLVED that the Audit Strategy Memorandum for 2019/20 be noted.

the audit of the Housing Benefit Subsidy for the financial year 2018/19.



Members were informed that the audit of the Housing Benefit Subsidy claim was undertaken by KPMG LLP. The summarised findings overall were positive, and the financial adjustment was very minimal given the value of transactions processed.

The issues below were identified:

- a) The information provided to support self-employed claimants remained an issue to be resolved (this had been identified as an issue for 4 consecutive financial years).
- b) The incorrect categorisation of overpayments during the year (this was identified as an issue only for 2018/19).

Members sought clarification over the issue relating to self-employed claimants and were assured that the matter identified was a case of human error rather than a procedural concern.

RESOLVED that the outcome of the Housing Benefit Subsidy audit 2018/19 be noted.

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TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

Consideration was given to a report of the Director of Finance which set out the 2020/21 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.

Members were informed that the Strategy for 2020/21 covered two main areas.

Capital Issues

- The Capital expenditure plans and the associated Prudential Indicators
- The Minimum Revenue Provision (MRP) Policy Statement

Treasury Management Issues:

- The Current Treasury Position
- Treasury Indicators which limit the treasury risk and activities of the Council
- Prospects for Interest Rates
- The Borrowing Strategy
- The Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Investment Strategy
- The Creditworthiness Policy
- The Policy regarding the use of external service providers.

The report therefore outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations with regard to the Treasury Management Strategy for 2020/21.

The proposed Treasury Management Strategy was presented for scrutiny to the Audit Committee so that any comments could be incorporated into the report before it was considered by Cabinet. It would also be presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 23 January 2019 for review together with all other 2020/21 budget reports.

The Committee asked for and received clarification on the following:-

- Capital Programme re-profiling – the Creating a Better Place initiative was very different and would be managed by a series of targets. It was an ambitious programme that would invest large sums in the Borough, and was geared to delivering and making projects happen.
- Supporting existing businesses in the town centre – this was a complex area and Local Authorities were limited by e.g. State Aid Rules. The ability to attract inward investment very much depended on demonstrating delivery on the ground and often this had to be Council led at the initial stages.

Resolved that the following be commended to the Cabinet:

1. Capital Expenditure Estimates as per paragraph 2.1.2;
2. MRP policy and method of calculation as per Appendix 1;
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.4;
4. Projected treasury position as at 31 March 2020 as per paragraph 2.3.4;
5. Treasury Limit's as per section 2.4;
6. Borrowing Strategy for 2020/21 as per section 2.6;
7. Annual Investment Strategy as per section 2.10 including risk management and the creditworthiness policy at section 2.11;
8. Level of investment in specified and non-specified investments detailed at Appendix 5.

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LOCAL CODE OF CORPORATE GOVERNANCE

Consideration was given to a report of the Head of Corporate Governance which propose a refreshed Local Code of Corporate Governance for Oldham Council.

The Committee was informed that the Council was required to produce a Local Code of Corporate Governance, which was subject to review every two years or when there had been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed in May 2017.

Members noted the Head of Corporate Governance, in conjunction with the Director of Finance, would review the code on a regular basis whilst also monitoring the progress made by the Authority on complying with its policies and procedures to ensure best practice.

The Committee asked for clarification on how the Code reflected the Council's commitment to equality and diversity, and noted that proposals on this would be shared with the Committee

RESOLVED that the refreshed Local Code of Corporate Governance for Oldham Council be noted.

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PROPOSED AUDIT COMMITTEE WORK PROGRAMME TO JUNE 2020

Members gave consideration to the proposed Work Programme to June 2020.

Resolved that the Work programme to June 2020 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 paragraphs 3 and 7 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

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

The Committee considered a report of the Head of Corporate Governance which

- a) Updated Members of the 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 2018/19.

- b) Identified new risks which, at this stage, were considered appropriate for potential inclusion in the Annual Governance Statement for the financial year 2019/20.

A verbal update was also provided highlighting the key issues in the Corporate Risk Register.

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

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RISK BASED VERIFICATION UPDATE

The Committee gave consideration to a report of the Director of Finance which presented an evaluation of the future use of Risk Based Verification (RBV) systems which were introduced by the Council in April 2014.

RESOLVED that the recommended approach of Option 2 - Discontinue use of Risk Based Verification with effect from April 2020 – be confirmed.

The meeting started at 6.00 pm and ended at 9.03 pm