

AUDIT COMMITTEE
04/06/2020 at 6.00 pm



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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Alastair Newall	Mazars External Auditors
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud
Liz Drogan	Head of Democratic Services
Lori Hughes	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury

1 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

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 held on 20th January 2020 be agreed as a correct record.

6 **DATA PROTECTION UPDATE**

The Committee gave consideration to a report of the Director of Finance which provided an update on the Council's management and assurance related to data protection.

The Audit Committee, as the appropriate Committee within the Council has received previous reports and agreed to receive reports twice yearly. This was the second update report for 2019/20.

The Committee were advised that the Council Data Protection Officer (DPO) continued to provide advice and guidance to the Council and through formally agreed service level agreements (SLA) to Unity Partnership Limited, MioCare CIC and 57 schools (directly maintained and academies) based in Oldham.

The Committee were provided updates on:

- Delivery of an Information Governance Plus Model;
- The Data Protection Board;
- Localised and GMCA activities / initiatives
- Examples of Working Together Across Organisations

- Submission for the Council's Public Services Network (PSN) annual mandatory accreditation;
- Submission of the Council's Data Security and Protection (DSP) annual mandatory submission;
- Changes within the Data Protection Act 2018 which had a significant impact on how requests for information were handled;
- Security incidents during 2019/20 and noted there were not serious incidents which resulted in the network losing credibility;
- Continued threat of cybercriminals; and
- Relocation of the Central Records Service.

The Committee were also informed that the UK had now entered a 12-month transitional period related to leaving the European Union and in terms of data protection there were no changes.

Members sought and received clarification on the use of data collected related to vulnerable groups during the pandemic. Members noted that this would be a valuable resource to address social isolation and that data should not be deleted but used to progress assistance and asked if there were any issues in the information being retained. Members were informed that this would need to be investigated as data had to be used for lawful purposes. Members were advised that work was ongoing with services.

RESOLVED that Data Protection Update be noted.

7

TEACHERS PENSION AGENCY 2018/19 END OF YEAR CERTIFICATION

The Committee gave consideration to a report of the Head of Corporate Governance which provided confirmation that the Teachers Pension Agency (TPA) had notified of its agreement to the contributions paid over by the Council for the financial year 2018/19 on 30 March 2020. The delay in the receipt of confirmation was due to the requirement for TPA officers to agree the level of acceptable variance in the year end return. The Teachers' Pension Contributions paid over to the Teachers Pension Agency were subject to a specific external audit review which resulted in an annual certification.

RESOLVED that the Certification of the Teachers' Pension Return for the Financial Year 201/29 be noted.

8

EXTERNAL AUDIT PROGRESS REPORT MAY 2020

The Committee gave consideration to an update by Mazars, the external auditors, on progress in delivering their responsibilities.

The report highlighted how Mazars were ensuring resilience and maintaining the level and quality of client services during the pandemic.

Mazars were committed to working with the Council throughout the current period, recognising the need to be flexible as the

environment changed and the significant pressures on the Council's finance team. The audit will be able to be carried out remotely and arrangements had been put into place to facilitate this. The key difference this year was that until further notice the external auditors would not have a physical on-site presence.

The External Auditors provided an update on their proposed audit programme and external audit fees:

- Public Interest Entity (PIE) – Statutory audit legislation came into effect for all financial years starting on or after 17 June 2016. The PIE definition included organisations with transferable securities listed on regulated markets and governed by law. Oldham Council had £6.6m of listed debt as at 31 March 2019 and as a result fell under the definition of a PIE. There are additional requirements at both the planning and reporting stages of the audit which culminate in the requirement to produce a more detailed 'long form' audit report.
- Audit Regulator recommendations – The external auditors continually strived to maintain high standards of audit quality. One mechanism was to consider the outcome of independent quality reviews of audit work and that of other audit suppliers. As a result of increased expectations on external auditors following recent reviews, Mazars were planning increases in the level of work carried out on:
 - The value of the Council's defined benefit pension scheme assets and liabilities; and
 - The value of the Council's property, plant and equipment and investment property assets.

The driving factors had been discussed with officers and the audit fee would be revisited for 2019/20 to reflect the increased level of risk-based work that was not considered by PSAA when the scale fee was set. The Committee was asked to note that the additional fee is subject to detailed scrutiny by the PSAA as part of the approval process.

The Committee were also provided with an update on the external audit of the Council which included regular dialogue with the Director of Finance, revision of audit resource plans to ensure external audit of the financial statements were delivered in line with the Council's revised plans. Progress was understandably slower with the challenges of remote working and additional workload and specific reporting challenges related to the impact of the pandemic on financial markets.

Members were informed that work on the audit had commenced three weeks prior to the Committee meeting and this included virtual meetings with officers from Finance. Progress was slower than usual and it was a testament to the Finance Team and Mazars that good progress was being made. It showed the resilience of people and systems during challenging times. Areas being focused upon in the audit included the pension

fund, corporate property plants and equipment as well as other financial assets.

Members asked about the impact of the pandemic on the Final Accounts and were informed that audits carried out initially included interest in matters of growing concern which include valuation of assets which may be impacted by the economic downturn.

RESOLVED that the audit progress report submitted by the External Auditors, Mazars, be noted.

9

2019/20 PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

The Committee gave consideration to a report which, in line with best practice principles, sought approval for the significant accounting policies and critical judgements to be adopted in the preparation of the Council's 2019/20 Statement of Accounts.

The Council's accounting policies were the subject of specific principles, conventions, rules and practices that were applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts and a copy of the policies were included at Appendix 1 to the report. There had been no changes from the policies that were used to prepare the 2018/19 Statement of Accounts. International Financial Reporting Standards (IFRS) 16 Leasing, as per the 2019/20 Accounting Code of Practice (the Code) was due to be introduced for Local Government from 1 April 2020. However, due to Covid-19 the implementation had been deferred until 2021/22. Further detail was included at Section 4 of the report.

With regard to Critical Judgements, in line with IFRS and the Code, the Council was required to disclose those judgements that management had made in the process of applying the Council's accounting policies that had the most significant effect on the amounts recognised in the financial statements. These were included at Appendix 2 of the report.

Critical judgements included which school's property, plant and equipment and Private Finance Initiative (PFI) schemes should be included on the Council's balance sheet, which entities fall within the Council's group boundary, the properties that should be classified as investment property and the election of the Council's airport investment.

The critical judgement related to the Council's upfront payment of its Greater Manchester Pension Fund pension contributions had been updated to reflect the final year of the existing upfront payment period and the intention to prepay the contribution for the 2020/21 – 2022/23 triennial period.

Members queried the up-front payment to the Greater Manchester Pension Fund and asked if this was new. Members were informed that this had taken place previously in 2017/18 as

a budget saving proposal to pay a three-year period of total contributions. This had ended and it was being recommended again as a revenue saving for a further three-year period which was anticipated to produce bigger savings.

RESOLVED that:

1. The Council's proposed accounting policies to be adopted in the completion of the 2019/20 Statement of Accounts be approved.
2. The Critical Judgements made by management in the production of the Statement of Accounts be noted.

10

THOSE CHARGED WITH GOVERNANCE - MANAGEMENT PROCESSES AND ARRANGEMENTS

The Committee gave consideration to a report of the Head of Corporate Governance which related to Management Processes and Arrangements related to the Director of Finance.

In carrying out their annual audit of the Council, Mazars, the External Auditors, comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses to the inquiries of management.

Mazars had sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the proposed response of the Director of Finance were set out at Appendix A of the report.

Members were informed that there were four key questions which were concerned with processes and control in place and there were seventeen further questions to ascertain views on fraud. Members were advised that there were appropriate processes in place to, for example, undertake assessments of risk, provide extensive training for members of staff to ensure accounts and statements were prepared appropriately with robust systems in place and detailed reviews to ensure performance to a very high standard. The Head of Corporate Governance also provided an annual report which gave an overall opinion on the control environment. Processes in place to identify fraud were highlighted, including the response to emerging themes on a national basis. Members were advised of good processes in place and no areas of concern.

Members commented that in some areas they were asked to complete online fraud training and asked if this should be included for members of the Audit Committee. Members were informed that this was a requirement for members of some boards. The same training was accessible to all members. It

was agreed that the link to the online training would be forwarded to Audit Committee members.

RESOLVED that:

1. The response of the Director of Finance to the letter from Mazars be noted.
2. The link to the Online Fraud Training be sent to Audit Committee Members.

11

THOSE CHARGED WITH GOVERNANCE - MANAGEMENT PROCESSES AND ARRANGEMENTS

The Committee gave consideration to a report of the Head of Corporate Governance which related to Management Processes and Arrangements related to the Vice Chair of the Audit Committee and the Committee itself.

In carrying out their annual audit of the Council, Mazars, the External Auditors, comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses to the inquiries of management.

Mazars had sent the Vice Chair of the Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the proposed response of the Vice Chair were set out at Appendix A of the report.

The report emphasised that sound processes were in place.

RESOLVED that the response of the Vice Chair of the Audit Committee to the letter from Mazars be noted.

12

2019/20 ANNUAL STATEMENT OF ACCOUNTS

The Committee gave consideration to a report of the Director of Finance which presented a high-level summary of the provisional outturn position and an update on the Council's draft Statement of Accounts for the financial year 2019/20.

The report highlighted the following:

- The revised reporting timeline for the Statement of Accounts for 2019/20;
- The progress that had been made towards the completion of the accounts;
- The provisional overall revenue outturn position is a surplus of £0.270m. This was an increase on the favourable variance of £0.205m projected at month 9 that was reported to Cabinet on 23 March 2020; and



- The provisional capital outturn was £54.383m which was an increase on the month 9 forecast expenditure of £52.497m.

Members were informed of the revised reporting timeline and since the agenda had been published, the accounts had been handed over to the external auditors. Members were informed that the government had amended the deadlines for submission of accounts due to the pandemic and under the amendments local authorities had until 31 August 2020 to submit draft accounts and up to 30 November 2020 for the audit completion. The achievement of the submission of the accounts was highlighted to members in that the submission had met the original timeline of 31 May 2020. A notice of public inspection had been issued and the inspection period closes on 10 July 2020. The Draft Accounts would be submitted to Committee on 23 June 2020 for review. Members were informed of the work completed by the Finance staff, the accounts being completed to a high standard and good communication with the external auditors. It was dependent upon audit completion as to when the Final Accounts would be submitted to the Audit Committee for approval.

The provisional outturn was now the final outturn which included a £270k underspend on the revenue budget which would be added to the Council balances and helped financial resilience and showed £54.4m compared to £52.5m capital expenditure at Month 9.

Members congratulated the staff for producing excellent results in the challenging circumstances.

Members asked about the impact of Covid-19 on the outturn and were informed that the impact for 2019/20 was limited given the lockdown was not enacted until the end of the financial year. For 2020/2021, because of lack of clarity on full lifting of the lockdown, it was difficult to assess what the impact locally would be. Members were informed about budget monitoring which would be rigorous, the additional resources allocated from central government, increased costs of service provision in some parts of the Council and the loss of income from fees and charges. The detail would become more evident over the next few months. There would be further challenges for future financial years. The Government has asked for returns from local authorities on the financial challenges, projections based on best assumptions and how much funding has been spent.

RESOLVED that the updated position on the completion of the draft Statement of Accounts for 2019/20 and the Council's provisional revenue and capital outturn position for 2019/20 be noted.

The Committee gave consideration to a report of the Director of Finance which set out the proposed Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF) Prosecution Policy. The policy supported the Council in the investigation of grant payments suspected of being inappropriate.

In response to the COVID-19 pandemic, the Government had provided funding for the Council to administer the Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF) grant scheme. The process involved both pre and post payment checks on the grant recipients. There was an expectation that the Council, in its grant administration processes, would balance the speed of payments against a level of pre-payment checks to minimise inappropriate payments.

The Prosecution Policy was a key part of the Council's post payment checks. It supplemented the Counter Fraud suite of policies reported to this Committee at its meeting on 12 September 2019. The policy supported the Council's approach to zero tolerance to fraud and loss.

Members sought clarification on the Small Business Grant Fund and if information on businesses that had not claimed the grant could have been divided on a ward basis and if the grant was not spent what happened to the remaining funds. Members were informed that it was not possible to provide the detailed information on a ward basis as the payment of the grants was linked to the business rates register. This information is held on a system used for business rates purposes and did not facilitate the production of information on a ward basis. This was a system used by many Local Authorities and ward information was not an enquiry field available. With regard to the funding received for the administration of the grant, there were challenges where businesses had not requested grant support, i.e. larger chains which could breach state aid regulations if a grant was claimed. Funding not spent would have to be returned to Government as there would be a reconciliation completed. Businesses were being encouraged to apply. This was being done by letter as well as phone and email. It was reported that the majority of the funding had been spent.

Members asked a question about the discretionary fund available for those businesses with a rateable value under £51k. Members were informed of the challenge and being mindful of the criteria which the Government had provided. The amount of funding available, £2.5m, would not go far with the number of businesses in Oldham which did not qualify for the other schemes. Applications to the grant would be assessed with the first phase held open until 12 June.

Members asked how many applications had been received to date and were informed that 209 businesses had applied, 35 of which were subject to a spotlight check.

Members sought and received clarification on the Transparency Agenda, review of grants, checks to be undertaken which included spotlight checks and fraud referrals. The Council was in a position based on spotlight checks to stop payments to businesses not eligible for payment. In relation to cases where grants have been paid where perhaps payments should not have been made, the payments can be stopped and a post payment review undertaken. It was clarified to members that in relation to publishing details of the payments, especially sole traders where individuals could be identified, advice was being sought as the Council did not want to reach Data Protection Regulations.

Members asked who the prosecution agent would be, the Council or Greater Manchester Police and were informed that both options were currently available.

Members expressed thanks where grants had been paid quickly.

RESOLVED that the Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF) Prosecution Policy be approved.

14

INTERNAL AUDIT CHARTER 2020/2021

The Committee gave consideration to a report of the Head of Corporate Governance which advised members of the proposed Internal Audit Charter for 2020/2021.

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

The 2019/20 Internal Audit Charter was approved by the Audit Committee on 7 March 2019 and Appendix 1 of the report included the updated Charter for 2020/21. The proposed Charter included the following updates:

- Section 12: Review of Effectiveness of Internal Audit – This sets out the requirement for the annual internal assessment of Internal Audit by the Audit Committee and highlighted that the PSIAS independent external assessment was due by 31 March 2023; and
- Section 13: Head of Corporate Governance Annual Opinion: This provided further detail of the Annual Opinion Report by the Head of Corporate Governance.

RESOLVED that Internal Audit Charter be approved with effect from 1 April 2020.

15

AUDIT COMMITTEE WORK PROGRAMME

The Committee were provided information related to the Audit Committee Work Programme. Members were advised that due

to the pandemic items had been rolled forward. The draft Final Accounts would be considered at the next meeting and a further meeting to consider the Final Accounts would need to be agreed in late July/early August.

Members requested that Fraud Training be incorporated as part of the work programme. It was the online Information Security/Data Protection course be included.

RESOLVED that:

1. The Audit Committee Work Programme be noted.
2. The inclusion of Fraud Training and the Information Security / Data Protection Online course in included as part of the work programme.

16

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.

17

SENIOR INFORMATION RISK OFFICER

Consideration was given to the commercially sensitive report of the Head of Corporate Governance which provided an update on information related to security breaches, risk issues and actions.

RESOLVED that the report related to the Senior Information Risk Officer be noted.

The meeting started at 6.00 pm and ended at 7.40 pm