

AUDIT COMMITTEE
25/03/2021 at 6.00 pm



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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars External Auditors
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud
Kaidy McCann	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury
Sian Walter-Browne	Principal Constitutional Services Officer

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dean 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 meetings of the Audit Committee held on 18th January and 21st January 2021 be approved as a correct record.

6 ANNUAL AUDIT LETTER 2019-20

Consideration was given to a report from the Head of Corporate Governance which presented the Annual Audit Letter 2019/20 as attached at appendix 1 prepared by the External Auditor, Mazars LLP.

The Annual Audit Letter formally reported that the external audit of the 2019/20 Statement of Accounts had been completed. The report summarised the work undertaken by Mazars LLP for Oldham Council for the year ended 31st March 2020. it had highlighted:

- the scope of the audit and the result of the work, the financial statements had given a true and fair view of the Council's financial position as at 31st March 2020.
- The approach to materiality.

- The response to significant risks, which disclosed that there were no significant matters arising from Mazars' work on the management override of controls.
- Internal control recommendations, whereby Mazars LLP did not identify any internal control deficiencies to report to the Council.
- The Value for Money Conclusion, which stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020
- Significant audit risk. One had been identified around financial sustainability. However, it was concluded that for 2019/20 the Council had made proper arrangements to deliver financial sustainability in the medium term.
- Matters reported by exception.
- Completion of the Whole of Government Accounts.
- Consideration of other information published alongside the financial statements.

Members asked for confirmation that the issues for Liverpool City Council would not happen in Oldham. It was explained by the External Auditor that they were unable to comment on work they had not undertaken.

RESOLVED that the Annual Audit Letter for 2019/20 be noted.

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AUDIT OF HOUSING BENEFIT SUBSIDY 2019-20

Consideration was given to a report of the Head of Corporate Governance which provided Members with the outcome of the Audit of the Housing Benefit Subsidy for the financial year 2019/20.

The report attached at Appendix 1 had been undertaken by KPMG UK LLP and had summarised the findings as overall positive with one error that had been identified that had an impact of the value of the claim. However, it was considered a minimal amount in relation to the value of transactions processed.

Members were advised that initial testing had identified one case in which the expenditure was misclassified, and a value had been understated due to a system error. An additional 40 claims were tested which ensured that the correct calculation had been applied in each case. The random sample of 40 claims identified no further cases of misclassification.

RESOLVED that the outcome of the Housing Benefit Subsidy Audit 2019/20 be noted.

8

AUDIT OF TEACHERS' PENSIONS AGENCY RETURN 2019-20

Consideration was given to a report of the Head of Corporate Governance which advised Members of the Teachers' Pension Agency 2019/20 End of Year Certification.



Members were advised that The Teachers' Pension Contributions paid over to the Teachers Pension Agency were subject to a specific external audit review with an annual certification provided. The agreement to the contributions paid over to the Teachers' Pension Agency by the Council for the financial year 2019/20 had been confirmed on the 25th February 2021.

Members noted that the information attached at appendix 1 was overall positive and had significantly improved from previous years.

RESOLVED that the Certification of the Teachers' Pension Return, attached at Appendix 1, for the financial year 2019/20 be noted.

9

2020-21 FINAL ACCOUNTS - PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

Consideration was given to a report of the Finance Manager (Capital and Treasury) which set out the 2020/21 Final Accounts - Proposed Accounting Policies and Critical Judgements.

Members were advised of the change in the timeline for the preparation of the 2020/21 accounts and were presented with the significant accounting policies that would be used in the preparation of the 2020/21 Statement of Accounts. Members were also advised of the changes from 2019/20 that had been introduced as a result of amendments to the Code of Practice on Local Authority Accounting 2020/21 and the requirement to disclose the critical judgements made by management during production of the Statement of Accounts.

Members made queries in regard to depreciation of assets and how that would be verified. It was noted that Unity Partnership Valuers would regularly review asset life and valuations would be adjusted accordingly. Members also quired the amount of savings. Members were informed that there was around £700,000 in the accounts for the budget however this would be likely increased and would be confirmed in April 2021.

RESOLVED that:

1. The revised timeline for the preparation and audit of the 2020/21 Statement of Accounts be noted.
2. The Council's proposed accounting policies to be adopted in completing the 2020/21 Statement of Accounts be approved.
3. The critical judgements made by management when producing the Statement of Accounts be noted.

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AUDIT AND COUNTER FRAUD PROGRESS REPORT -

MARCH 2021

Consideration was given to a report of the Assistant Manager Counter Fraud and Assistant Manager internal Audit which provided Members with a high-level progress report on the work of the Audit and Counter Fraud team up to 28 February 2021.

Members were informed of the priority work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. The second stage FFS audits commenced in February 2021 with all the fieldwork completed around the first stage testing as part of the review of 14 systems with throughput value of over £10m. Due to the Covid-19 pandemic, Internal Audit had also continued to provide non-audit related administration support to Revenues and Benefits services for the Covid related business grants. Internal Audit had been liaising closely with Mazars the External Auditor to support the final accounts around the review of key controls and system reviews.

Members were advised of the work that had been completed which included the Schools Payroll that had been successfully transferred to the iTrent system. Assurance of the controls and stability of the new system would be monitored on a monthly basis however no significant errors had been identified during the migration. Work around EU funded grant schemes had also been undertaken by the Audit team which ensured that grants had been spent in line with the grant conditions. A new Audit Management System had been selected and would be implemented in June 2021.

Members noted the information at appendix 2 that highlighted key points in relation to Corporate Counter Fraud which included:

- 96 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
- £96k of Council Tax Reduction (CTR) misuse and savings have been uncovered;
- 93 Warning Letters and 3 Administration Penalty have been issued to Council Tax customers;
- £76k of Housing Benefit Fraud and Error Overpayments was identified as part of the CTR investigations;
- 118 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD) and;
- £61k of non-CTR/misuse and savings uncovered.

Members queried the employee abuse of position and were informed that most cases were due to exploitation of the Blue Badge system. Members also referred to point 25 and 26 in Appendix 1 and enquired why they had been rated inadequate. Members were advised that the work was linked to the Direct Payments Team. An action plan was in place as the areas had been on the radar and had been a problem area for several years. Covid-19 had also had an effect on the payments.

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RESOLVED that the 2020/21 Audit and Counter Fraud Progress Report up to 28 February 2021 be noted.

INTERNAL AUDIT AND COUNTER FRAUD PLAN 2021-22

Consideration was given to a report of the Head of Corporate Governance which advised Members on the proposed revised Internal Audit and Counter Fraud Plan for the financial year 2021/22.

Members were informed that the plan was based on the Audit needs Assessment conducted by the Head of Corporate Governance and took into account several Covid-19 risk factors and known planned developments that would ensure adequate controls were in place to support the overall governance arrangements for the Council.

Members enquired how the risk assessment scoring was undertaken. Members were advised that where the risk assessments were rated high, checks would be undertaken twice a year due to the impact that would be caused. Members noted that the money that came in for the financial year was higher than previous. £150 million extra had been received from Central Government which meant work needed to be done harder due to the management of funds. Members asked if more staff could be brought in to relieve the added pressure of the additional funds. It was noted that use of funds depended on where they had come from and some funds were directly paid upfront.

RESOLVED that the Internal Audit and Counter Fraud Planning process and the Audit and Counter Fraud Plan for 2021/22 at Appendix 1 be agreed.

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CABINET OFFICE NATIONAL FRAUD INITIATIVE PROGRESSION- INFORMATION FOR ELECTED MEMBERS

Consideration was given to a report from the Assistant Manager Counter Fraud which advised Members of the Cabinet Office National Fraud Initiative Progression.

Members were advised that the initiative was a long-standing data matching exercise ran initially by the Audit Commission until 2015 when it was taken over by the Cabinet Office. Members were informed that the process was long winded and time consuming however it allowed officers to easily check anomalies.

RESOLVED that the Cabinet Office National Fraud Initiative Progression - Information for Elected Members Report be noted.

13

APPROVED AC WORK PROGRAMME Q3 AND Q4 202021

AND PLANNED WORK PROGRAMME Q1 2021/22

RESOLVED that the submitted Audit Committee Work Programme 2020/21 and the Planned Work Programme 2021/22 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 paragraphs 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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INTERNAL AUDIT AND COUNTER FRAUD PLAN 2021-22

Consideration was given to a report from the Head of Corporate Governance, which advised Members on the proposed revised Internal Audit Counter Fraud Plan that covered the financial year 2021/22. The plan was based on the Audit Needs Assessment carried out by the Head of Corporate Governance. The proposed plan took into account several Covid-19 risk factors that had shaped the plan and known planned developments that ensured adequate controls were in place to support the overall governance arrangements for the Council.

RESOLVED that the report be noted.

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BUSINESS GRANT SCHEMES ASSURANCE REPORT

Consideration was given to a report from the Assistant Manager Counter Fraud, which advised Members on the reporting of assurance data by the Council to the Department for Business, Energy and Industrial Strategy (BEIS) on the administration of the Small Business Grant Fund (SBGF) and Retail, Hospitality, Leisure Grant Fund (RHLGF) and the Discretionary Grant Fund (DFG) regimes. The grant funds allowed payments to be made to eligible businesses of £25,000, £10,000 or any amount under £25,000. These were introduced by Government to provide emergency support due to the Covid-19 pandemic.

RESOLVED that the report be noted.

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PARTNERSHIP RISK DASHBOARD

Consideration was given to a report from the Head of Corporate Governance which advised Members of previous reports submitted to the Committee that had highlighted the risks to the Council from poor supervision of companies/partnerships it had ownership of and how governance oversight which included that of the Audit Committee at selected Council's had failed to identify the risk in respect of the third party entities. Members had previously requested the Head of Corporate Governance prepare a report which analysed the risk to the Council from the partnerships in had interest in for its consideration at least every

6 months. The report updated the previous report submitted to the Committee on 3rd November 2020.



RESOLVED that the report be noted.

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UPDATE ON GENERAL MATTERS 2020-21

Consideration was given to a report from the Head of Corporate Governance which advised Members on the ongoing Best Value Inspection at Liverpool City Council linked to contracting. Members were also advised on the recent capitalisation direction issued by the Ministry of Housing, Communities and Local Government to support the financial position of seven Local Authorities. Updates were provided on the commercialisation agenda and the highlighted risks at a few Local Authorities where potential losses have been reported in the public domain. Members were updated on the most recent Financial Resilience Index issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the latest position on the LOBO litigation for which the Court judgement has been handed down.

RESOLVED that the report be noted.

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UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2019-20 AND NEW ISSUES

Consideration was given to a report from the Head of Corporate Governance which advised Members on the progress made to reduce the risk of issues arisen for the Council to address where matters were identified as areas that required improvement in the internal control within the Annual Governance Statement for 2019/20. Members were asked to identify new risks which were considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2020/21. Members were provided with an update on the revised guidance issued on the production of the Annual Governance Statement including the requirement to report on the implementation of the Financial Management Code.

RESOLVED that the report be noted

The meeting started at 6.00 pm and ended at 8.04 pm