

AUDIT COMMITTEE
10/06/2021 at 6.00 pm



Present: Councillor Islam (Vice-Chair, in the Chair)
Councillors Ahmad, Alyas, Briggs, Dean, C. Gloster, Lancaster
and Salamat

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Assistant Director of Corporate Governance and Strategic Financial Management
Karen Murray	Mazars External Auditors
Sian Walter-Browne	Principal Constitutional Services Officer
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Surjan.

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 meeting of the Audit Committee held on 25th March 2021 be approved as a correct record.

6 **AUDIT STRATEGY MEMORANDUM 2020-21**

Consideration was given to a report from the Assistant Director of Corporate Governance and Strategic Financial Management, which put forward the proposed Audit Strategy Memorandum for the financial year 2020/21. The report was presented by Karen Murray, the external auditor representative from Mazars.

The Committee was informed that the Audit Strategy Memorandum set out the proposed work to be undertaken by the external audit team on the 2020/21 Statement of Final Accounts including the Value for Money Opinion which was linked into the future financial resilience of the Council.

A Member queried the delay last year and was assured that this had not been due to the Council and it was not expected to be repeated this year.

RESOLVED that the Audit Strategy Memorandum for 2020/21 be noted.

7 **FUTURE TRAINING OF THE AUDIT COMMITTEE**

Members gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which asked them to consider the future training to be provided for Members to enable them to discharge their role.

Members were informed that the Committee contained some Members who have been appointed to the Committee in previous years and some new Members who had no Audit Committee experience. The role the Committee undertook for the Council was an important one, providing challenge and scrutiny across all areas of the Council's activities. It involved oversight of some technically complex issues such as Treasury Management and was required to approve the Statement of Accounts.

Key officers outlined their proposals to ask external training providers to undertake training by way of Teams, prior to the September meeting of the Committee.

Members were of the view that this would be very welcome and noted that the training would probably take place early in September. Members asked for a list of common acronyms and it was agreed this would be circulated.

RESOLVED that the recommendations for future training be agreed.

8

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE- MANAGEMENT PROCESSES AND ARRANGEMENTS

Consideration was given to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which informed Members that, to enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Director of Finance was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

The Committee was informed that, in carrying out the annual audit of the Council, Mazars must comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs required the auditor to make inquiries of those charged with governance (TCWG) to determine whether they had 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 Director of Finance's proposed responses were set out in the attachment to the report. The Director of Finance outlined the key questions and responses.



RESOLVED that the responses of the Director of Finance be noted.

9

AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE - MANAGEMENT PROCESSES AND ARRANGEMENTS

Consideration was given to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which informed Members that, to enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Chair of the Audit Committee was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

The Committee was informed that, in carrying out the annual audit of the Council, Mazars must comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs required the auditor to make inquiries of those charged with governance (TCWG) to determine whether they had 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 Chair of the Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the Chair of the Audit Committee's proposed responses were set out in the attachment to the report.

RESOLVED that the responses of the Chair of the Audit Committee be noted.

10

LOCAL CODE OF CORPORATE GOVERNANCE

Members gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which asked them to consider 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 on 20th January 2020 and it had been refreshed this year due to the pandemic.

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

11

REVIEW OF THE SYSTEM OF INTERNAL AUDIT BY THE

AUDIT COMMITTEE

Members gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated them on the 2020/21 internal assessments of the system for Internal Audit within the Council.

The Committee was informed that the 2020/21 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concluded that the overall service was good.

The Scorecard had assessed most areas as Green with a few at Amber/Green.

The following matters were assessed as Amber/ Red:

Corporate initiatives and Monitoring

- *Scorecard 2.8: Corporate Initiatives and Monitoring:*
The Amber/ Red assessment related to the criteria “Payroll System and Adult Social Care has adequate opinion”, which reflected the on-going challenges around improving the audit opinion on these Fundamental Financial Systems, which would be included in the future Annual Report by the Chief Internal Auditor.
- *Scorecard 2.9: Compliance within Council on Procedure Rules:*
This Red/Amber assessment related to the issue of contract documentation on contracted spend which had been highlighted as an issue in the 2019/20 Annual Governance Statement.
Some of the issues reported in the Balanced Scorecard were wider internal control issues rather than specific to the System of Internal Audit. However, it was proposed to keep this reporting methodology, as it represented a pragmatic way to provide an overview of the overall control environment of the Council supported by professional best practice.

Members noted that, due to resources being diverted to address needs during the pandemic, the Service had only 8 months to undertake its planned work.

The Committee was informed that Payroll was moving towards “adequate” as the migration to one system was completed.

The issues with compliance with the Procedure Rules had been highlighted during the pandemic and were being addressed.

RESOLVED that:-

1. The self-assessment of the Assistant Director of Corporate Governance and Strategic Financial Management that the overall system of Internal Audit has been fit for purpose in 2020/21 be noted.
2. An update on compliance with Procedure Rules would be provided in 6 months’ time.

INTERNAL AUDIT CHARTER 2021/22

The Committee gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which advised Members of the proposed Internal Audit Charter for 2021/22.



The Committee was 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 and updated in March 2017. 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.

Members enquired as to whether Internal Audit was evaluated and were informed that a review was undertaken every five years, with the next one due in 2022.

RESOLVED that the Internal Audit Charter, effective from 1 April 2021, be approved.

UPDATE ON THE REDMOND REVIEW AND EXTERNAL AUDIT CONSULTATIONS

Consideration was given to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which set out:

- a) The Government response to the Redmond Review. The findings of the Redmond Review had been reported to the Committee at an earlier meeting. The Government via the Ministry of Housing and Local Government (MHCLG) had considered this report and responded to the recommendations made.
- b) The two recent consultations linked into the Redmond Report by the MHCLG around how the future fees from 2021/22 would be charged for external audit.

The Committee was informed that Sir Tony Redmond had been requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of the financial reporting regime. The report was complete and had been presented to the Secretary of State for Housing, Communities and Local Government. In total 23 recommendations were made covering the following topics:

- External Audit Regulation
- Smaller Authorities Audit Regulation
- Financial Resilience of local authorities
- Transparency of Financial Reporting

This report outlined the Government response to the Redmond report including the most important one which was linked into the future regulation of local authority external audit.

It also detailed two recent consultations undertaken by the MHCLG linked into the future Scale Fees to be paid for future external audit.

RESOLVED that the content of the report be noted.

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2020/21 AUDIT AND COUNTER FRAUD PROGRESS REPORT

Members gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which provided a high-level progress report on the work of the Audit and Counter Fraud team for the 2020/21 financial year.

The report summarised the work carried out by the Audit and Counter Fraud Team from 1 April 2020 to 31 March 2021. Due to the pandemic, a revised eight-month plan was drafted in order to consider the risks and changes to the working practices.

The team prioritised 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 had been completed, with work commencing on 8 February. All the fieldwork as part of the review of 13 systems with throughput value of over £10m had been completed. Reports were in the draft stage.

Due to the ongoing pandemic, Internal Audit continued to provide non-audit related administration support to Revenues and Benefits services in relation to the Covid related grants; and continued to provide advice and support to the Council around Covid Related processes and issues until 31 March 2021.

In addition, other Audit and Counter Fraud Team highlights included:

- Contribution to reviewing and controls around processing Winter Grants, and continued support around Business Grants and discretionary Business Grants reviews and queries.
- Carrying out investigations around potential fraud and error on Business Grants.
- Advisory work had been delivered by the Internal Audit Team to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system, which had been completed.
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grant Fund (LADGF) and Local Restrictions Support Grants administered by the Council.
- Review and certification around European grants.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) had continued to deliver outcomes which had generated £244,814 and £2,161,075 (respectively) during the 2020/21 financial year.

- The Team were in the process of implementing a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money. Training had been provided and system was being implemented in partnership through Unity ICT and Pentana Software.

Members were informed that the work of the Service had continued and PACE interviews, which had been delayed due to the inability to meet face to face, were now being undertaken. It had been suggested that the Council had not been quick in paying business grants and it was explained that this was due to undertaking checks and balances to prevent fraud. This had been the right thing to do, to ensure the grants went to legitimate businesses, rather than pay quickly to people who were not entitled. Internally, resources had quickly been diverted to administer this large amount of grant money in a very short time.

Members were informed that, once the PACE interviews were completed, there may be a small number of cases where the Council may seek to recover a business grant. The interviews with regards to adults and children's services were to address sanctions.

RESOLVED that the 2020/21 Audit and Counter Fraud Progress Report 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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SENIOR INFORMATION RISK OWNER UPDATE

Consideration was given to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which was the annual report of the Senior Information Risk Owner (SIRO) to the Audit Committee highlighting Information Security Incidents and related matters which had occurred throughout 2020/21.

RESOLVED that the contents of the report be noted.

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BUSINESS GRANT SCHEMES ASSURANCE REPORT - SMALL BUSINESS GRANT FUND (SBGF), RETAIL HOSPITALITY, LEISURE GRANT FUND (RHLGF) AND LOCAL AUTHORITY DISCRETIONARY GRANT FUND (LADGF)

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which set out 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 Local Authority Discretionary Grant Fund (LADGF) regimes. These grant funds allowed payments to be made to eligible businesses of £25,000, £10,000 or any amount under £25,000 and were introduced by Government to provide emergency support due to the COVID-19 pandemic.



RESOLVED that the latest position as per the Business Grant Schemes Assurance Report submitted to BEIS be noted.

18

INSPECTION BY THE OFFICE OF THE SURVEILLANCE COMMISSIONER

Members gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated them on the outcomes of a desk top inspection by the Office of the Surveillance Commissioner during the pandemic.

RESOLVED that:-

1. The findings from the Office of the Surveillance Commissioner be noted.
2. The Committee would receive a follow up report before the end of 2021 outlining the progress made on implementing the recommendations.

The meeting started at 6.00 pm and ended at 7.15 pm