

AUDIT COMMITTEE
09/09/2021 at 6.00 pm



Present: Councillor Islam (Vice-Chair)
Councillors Alyas, Dean, C. Gloster, Islam (Vice-Chair),
Salamat, Surjan and Arnott (Substitute)

Also in Attendance:

Anne Ryans – Director of Finance
Mark Stenson – Assistant Director of Finance for Corporate
Governance and Strategic Financial Management
Lee Walsh – Finance Manager – Capital and Treasury
Christine Wood – Constitutional Services

Karen Murray – Mazars LLP – External Auditor

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Ahmad, Briggs and Lancaster. Councillor Arnott substituted for Councillor Lancaster.

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**

No questions had been received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the meeting held on 29th July 2021 be approved as a correct record.

6 **AUDIT FINDINGS REPORT 2020/21 AND STATEMENT OF ACCOUNTS 2020/21**

The Committee agreed that items 6 (Audit Findings Report 2020/21) and 7 (Statement of Accounts 2020/21) would be presented together.

The Committee was reminded that the final Audit Completion Report had not yet been received and that there was still some outstanding internal work in relation to IT controls. The Committee was also advised that information had been requested in the previous few days and that finalisation of the queries have been prioritised. The External Auditor advised that the Greater Manchester Pension Fund Audit report was not yet complete. The Oldham audit cannot be finalised unless this is completed.

Although it had been anticipated that it would be possible to sign off the Statement of Accounts 2021 at the meeting, this was clearly not the case. The Committee was reminded that it had previously been agreed that the Vice-Chair of the Committee could sign off the relevant documentation on behalf of the Committee, when in a position to do so. This will be progressed as quickly as possible with a formal update at the next Audit Committee meeting.

The Committee was advised that VFM opinion would not be provided until later in the financial year.

RESOLVED – That the updates in relation to the Audit Findings Report 2020/21 and Statement of Accounts 2020/21 be noted.

7 **STATEMENT OF ACCOUNTS 2020/21**

As above

8 **UPDATE ON FINANCIAL ADMINISTRATION IN LOCAL AUTHORITIES**

Consideration was given to a report to advise the Committee of the recent Section 114 notices and associated reports issued by the Chief Finance Officers (Section 151 Officers) at two Local Authorities (the London Borough of Croydon and Slough Borough Council) and provide information on the recent capitalisation directions issued by the Ministry of Housing, Communities and Local Government to support the financial position of several Local Authorities during 2020/21 and 2021/22. Attached to the report at Appendix 1 was information explaining what a Section 114 notice is and what happens when such a notice is issued.

The report was presented to assist the Audit Committee to:

- a) Discharge its future Scrutiny function in ensuring there is consideration that the Council effectively manages its budget and oversees partnerships; and
- b) Appropriately consider the work programme included elsewhere on the Agenda.

The Committee was advised that the detailed information that had been published in the public domain for the London Borough of Croydon had identified that the Scrutiny Committee should have better held the Executive of the Council to account in ensuring operational services spent within their agreed budget allocation. The Scrutiny Committee should also have had a better oversight of Council's partnerships.

The Committee was reminded that the Performance Overview Scrutiny Committee within the Council had responsibility for scrutinising the deliverability of the Council's agreed budget and providing oversight of key partnerships and that the Scrutiny

Committee had considered an update report on the Financial Administration in Local Government at its meeting on 26th August 2021.



The Committee was advised that the issuing of the Section 114 notice at the London Borough of Croydon had been subject to review by a Select Committee of the Ministry of Housing, Communities and Local Government (MHCLG). This review had identified the importance of effective Scrutiny to ensure that services were delivered within their agreed budget envelope. The view expressed to the MHCLG Select Committee was that if Croydon had brought under control the budget in the overspending areas of Children's and Adults' Social Care, the Council would not have needed to engage in high-risk commercial investments to generate extra income to balance its budget.

The Committee was also advised that events had also identified a lack of oversight of partnerships in several Authorities resulting in historic losses materialising in the 2020/21 accounts. This had contributed to the issuing of the Section 114 notices at both Slough and Croydon. It had also led to certain Authorities such as Nottingham City Council having to obtain a capitalisation direction from the MHCLG to set a balanced budget for 2021/22. Details of all authorities having been required to obtain a capitalisation direction from the MHCLG were outlined within the report.

Background information relating to issuing of the Section 114 notices to the London Borough of Croydon and Slough Borough Council were outlined within the report.

It was reported that whilst the circumstances of each Authority requesting a capitalisation direction were linked into their own unique circumstances, some common themes were emerging as to why such a direction was required. These were detailed as:

- A failure to set aside sufficient Minimum Revenue Provision (MRP) to cover the cost of borrowing undertaken; and
- Setting a budget with a very low level of general balances (as such the ability of the Authority to absorb a financial shock is minimal); and
- Poor partnership governance of wholly owned companies.

It was suggested, that within reviewing its work programme, that the Committee liaise with the Performance Overview and Scrutiny Committee to ensure adequate oversight of these areas within the Council. The impact on the Future Work Programmes of the Performance Overview and Scrutiny Committees and Audit Committee was outlined within the report.

Members were advised of the entitlement of the Committee to challenge any issue to ensure that there was an oversight of risks associated with partnerships.

The Committee was requested to note the report and utilise the information provided when considering the work programme as detailed in Item 9 of the agenda.

A discussion took place around the issues in which it was agreed that there was a requirement for a formal process and system to scrutinize that the appropriate issues were considered prior to the approval of capital projects. The requirement to seek specialist advice prior to entering contracts/partnerships was also recognised.

The Committee was advised that Oldham Council adhered to the Prudential Code guidance. It was acknowledged that some Authorities did not apply the guidance as it was not currently compulsory. The Government and CIPFA were moving toward applying regulations in relation to this issue.

It was also suggested that case study be presented to the Committee of a robust business case and gateway review to enable the Committee to ensure the appropriateness of the process. There was also the suggestion of a Task Force to flag up and rectify issues.

RESOLVED – That the report be noted.

9 **WORK PROGRAMME FOR PERFORMANCE OVERVIEW AND SCRUTINY COMMITTEE 2021-2022**

The Committee received a copy of the current Performance Overview and Scrutiny Committee Work Programme for 2021/22. It was suggested that more scrutiny of the capital programme should be included.

RESOLVED – That the Performance Overview and Scrutiny Work Programme 2021/22 be noted.

10 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2021/22 AND EARLY 2022/23**

A copy of the proposed Audit Committee Work Programme for 2021/22 and early 2022/23 was presented to the Committee for consideration. The Committee was reminded that the Work Programme had been introduced to the Committee the previous year but had been affected due to the Covid situation.

The Committee was also advised that a report would be presented later in the year regarding the new payroll system.

RESOLVED – That the proposed Audit Committee Work Programme for 2021/22 and early 2022/23 be approved.

11 **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.

12

UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2020/21 AND NEW ISSUES



Consideration was given to a report to:

- a) Update the Audit 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 2020/21; and
- b) Identify new risks which are considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2021/22.

The Committee was reminded that the Council, as part of its Statement of Final Accounts produced an Annual Governance Statement which identified the significant governance issues that the Council needed to consider at the financial year-end to reduce its risk. The report provided an update on such matters.

RESOLVED – That the Committee note the progress made on the issues identified in the Annual Governance Statement and the new issues which have emerged since its production.

13

BUSINESS GRANTS SCHEME ASSURANCE

Consideration was given to a report providing information 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 Local Authority Discretionary Grant Fund (LADGF) regimes.

The 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. As the Government no longer requires returns to be submitted, the report provided an update to provide further assurance to the Audit Committee.

The Committee was advised that the Council continued to work with the National Anti-Fraud Network and the National Investigation Service on all alleged fraud and error cases and that the Committee could have confidence in the Council's administration of the grant regimes.

The Committee congratulated officers on the excellent work carried out in the setting up of processes and implementing in relation to allocating the grants in such a short period of time.

RESOLVED – That the Audit Committee note the current position in relation to monitoring the Business Grant Schemes

and the Assurance Report prepared in line with that submitted to BEIS.

14

UPDATE ON THE CORPORATE RISK REGISTER 2021-2022

RESOLVED – That the Audit Committee not the updated Corporate Risk Register.



The meeting started at 6pm and ended at 7.50pm