
Report to Audit Committee

Update on Audit Committee Matters

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

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Reason for Decision

This report sets out the planned timetable to:

- a) Recruit an Independent Chair to the Audit Committee.
- b) Tender for one provider of external audit for the Housing Benefit Subsidy grant claim, certification of pensions contributions for the Teachers' Pension Agency, the accounts of the Unity Partnership Ltd. and the MioCare Group Community Interest Company (CIC).

It also advises of treasury management developments in relation to the Council's borrowing strategy.

Executive Summary

The recruitment exercise for an Independent Chair of the Audit Committee, earlier in the calendar year, did not attract a suitable shortlist of candidates. It is planned to undertake a further recruitment exercise in September 2019 to determine whether it is possible to recruit an Independent Chair at this point.

At present, there are three separate External Auditors providing External Audit services to the 100% Council owned companies (Unity Partnership Ltd and MioCare Group CIC) and for the certification of the specific grant and pension contributions returns (Housing Benefit Subsidy grant claim and Teachers' Pension Agency return). During September 2019, it is planned to undertake a tender exercise to appoint one External Auditor for this work.

The report advises of recent treasury management developments with regard to a prudent approach to managing the Council's borrowing portfolio.

Recommendations

Members note:

- a) The planned approach to recruit an Independent Chair and appoint one External Auditor.
- b) The update on the Council's borrowing position.

Update on Audit Committee Matters**1 Background**

- 1.1 At present the Audit Committee is overseen by the Vice Chair, who has been appointed from amongst the Elected Members. The position of the Chair is reserved for an Independent Appointment. The previous attempt to make an independent appointment in this calendar year was not successful. It is proposed to re-advertise this role in September 2019.
- 1.2 There are three separate External Auditors appointed by the Council in respect of the 100% owned companies and specific grant and pension return audits as detailed below:
- MioCare Group CIC is audited by Grant Thornton UK LLP;
 - Unity Partnership Ltd is audited by Price Waterhouse Coopers LLP; and
 - The Housing Benefit Subsidy grant claim and pensions contributions return for the Teachers' Pension Agency are audited by KPMG LLP.
- 1.3 The appointment of the External Auditors to the two companies can continue indefinitely. However, the appointment of the Auditor for the specific grant/pensions return ended at the end of the 2018/19 financial year with the option to extend for a further year. The Council is proposing to use the end of this assignment to undertake a procurement for one External Auditor.
- 1.4 The 100% owned companies now use the Council systems to support the production of their accounts. As such it is now felt an appropriate time to appoint one External Auditor as they are effectively auditing similar systems.
- 1.5 The Audit Committee has responsibility for scrutinising the treasury management activities of the Council. As the Council has recently undertaken £20m of borrowing, the report advises of this development.

2. Recruitment of Audit Committee Chair

- 2.1 The Council has approval to appoint an Independent Chair to the Audit Committee. It is proposed in September 2019 to undertake an exercise to appoint this Chair. The previous exercise undertaken in 2019 did not attract appropriate candidates to interview. It is felt to be sensible to undertake a further exercise in September to attract appropriate applicants. Attached for information is a copy of the advertisement used previously in relation to the recruitment process (Appendix 1).

3. Tender for External Audit Services

- 3.1 The Council is proposing with the support of the Procurement Team to undertake an exercise to tender for one External Audit provider for the 100% owned companies and external grant/pensions return requiring audit. It is planned to send out the invitation to tender in September 2019 with the selection scheduled for October, so the appointment can be made by early November. This will support the audit of the MioCare Group CIC accounts which have a financial year of 1 January to 31 December.
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4. Treasury Management Update

- 4.1 As the Audit Committee receives regular reports on Treasury Management and has responsibility for scrutinising treasury activities, Members will be aware that the policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years and created savings that has aided the Council's revenue position. Members will also recall that the Council is considerably under borrowed and can therefore bring its actual borrowing up to the capital financial requirement (CFR) should this be considered appropriate. One of the factors influencing the decision to borrow is the prevailing interest rate.
- 4.2 Recently there has been downward movements in Public Works Loan Board (PWLB) interest rates. These rates are constantly reviewed to ensure that any borrowing is undertaken when interest rates are at their most optimum (lowest) to avoid incurring higher borrowing costs in the future. After careful consideration of the position by the Director of Finance, on 16 August 2019, the Council borrowed £20m from the PWLB. This decision was taken as the interest rates dropped below the interest trigger points set in conjunction with the Council's Treasury advisors, Link Asset Services, and it was considered that the rates were at the bottom of the market. The table below details the loan amount, duration of the loan and the interest rate.

Loan Amount	Duration/Years	Rate
£5m	20	1.74%
£5m	30	1.81%
£10	50	1.72%

- 4.3 It is important to note that earlier in the week commencing 12 August 2019 and throughout July 2019, the PWLB were higher than those on 16 August, meaning that the if the borrowing had been taken at an earlier stage, interest rates would have been over 2% throughout July and close to 2% in August. The average interest of the new loans was 1.76%.

5 Options/Alternatives

- 5.1 The Council can:
- a) continue with the current arrangements for the Vice Chair to oversee the Audit Committee or attempt to recruit an independent Chair
 - b) continue the appointment of different external auditors for grant claim/pensions return audits and the External Audit of external companies
 - c) note the treasury management developments

6 Preferred Option

- 6.1 The preferred option is that the Audit Committee approves the recruitment of the Independent Chair and the proposed tender for External Audit services and notes the treasury management developments.

7 Consultation

- 7.1 N/A.
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8 Financial Implications

- 8.1 The cost of external audit will be met by the 100% owned companies for their audit. The grant claim and pensions return audit will be borne by the Council. The overall value of the audit is estimated to be over £60,000. It is anticipated appointing one External Auditor will result in savings. (Mark Stenson)

9 Legal Services Comments

- 9.1 N/A.

10 Cooperative Agenda

- 10.1 N/A.

11 Human Resources Comments

- 11.1 N/A.

12 Risk Assessments

- 12.1 N/A. (Jane Whyatt)

13 IT Implications

- 13.1 N/A.

14 Property Implications

- 14.1 N/A.

15 Procurement Implications

- 15.1 N/A.

16 Environmental and Health & Safety Implications

- 16.1 N/A.

17 Equality, community cohesion and crime implications

- 17.1 N/A.

18 Equality Impact Assessment Completed?

- 18.1 None.

19 Key Decision

- 19.1 N/A.

20 Forward Plan Reference

- 20.1 N/A.
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21 **Background Papers**

- 21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are shown at Appendix 1

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22 **Appendices**

- 22.1 Appendix 1 – Advertisement for the Role of Independent Chair of the Oldham Council Audit Committee