

**AUDIT COMMITTEE**  
**23/06/2020 at 6.00 pm**



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

Also in Attendance:

Alastair Newall	Mazars LLP
Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Andy Cooper	Senior Finance Manager
Lee Walsh	Finance Manager - Capital and Treasury
Sabed Ali	Assistant Manager – Internal Audit
Elizabeth Droган	Head of Democratic Services
Lori Hughes	Constitutional Services
Mark Hardman	Constitutional Services

**1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Taylor.

**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 4<sup>th</sup> June 2020 be approved as a correct record.

**6 FEEDBACK ON EXTERNAL AUDIT RECOMMENDATIONS**

The Committee was reminded that, following the 2018/19 Statement of Accounts audit, the Council's external auditors, Mazars LLP, had made certain recommendations in the Audit Completion Report. In line with best practice principles, the Council had implemented the recommendations, centred mainly around the Council's general IT controls, in the workplan for 2019/20 and as part of the preparation of the Council's 2019/20 Statement of Accounts.

The recommendations and actions undertaken related to -

- a review and update of the Council's Corporate Information Security Policy;

- the introduction of a formal Information Backup Policy; and
- an update of the IT Access Control Policy, with further work ongoing on processes related to IT access issues relating to new starters and leavers, maintaining appropriate access and ensuring controls are reflected in and governed by the Policy.

The External Auditor noted that the Council's audit was being assessed currently and that they would report back on these projects at the appropriate time. In the meantime, it was pleasing to see the progress being reported.

Responding to queries relating to the Corporate Information Security Policy, it was acknowledged that while the ten year period identified was a long time, this had not meant that procedures were not updated in that period. The Council's security arrangements were considered to be good, and the issue highlighted was more of a matter of 'housekeeping' and keeping documentation together. With regard to the Information Backup Policy, it was acknowledged that this was a more difficult issue and that the principal issue was around re-establishing systems and links to the cloud. IT resilience was acknowledged as an important issue and the Head of Corporate Governance undertook to report further to the Committee at an appropriate time.

**RESOLVED** – that the responses to the recommendations highlighted by the Council's external auditors in the Audit Completion Report 2018/19, and how the Council has implemented those recommendations in the Council's general IT controls, be noted.

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## **REVIEW OF SYSTEM OF INTERNAL AUDIT BY THE AUDIT COMMITTEE**

The Committee was reminded that the Accounts and Audit Regulations and Public Sector Internal Audit Standards (PSIAS) advised that the body charged with governance, which for Oldham Council was the Audit Committee, should undertake an annual review of the effectiveness of its system of Internal Audit. As in previous years, the Head of Corporate Governance was reporting to this Committee based on a review of Internal Audit services against criteria set out in the "Balanced Scorecard" methodology based on criteria set out in the PSIAS developed to give the Committee assurance on a number of matters.

The conclusion of the internal review was that the overall system of Internal Audit and the overall service provided by the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) remained good. The following matters were highlighted to the Committee as scoring Amber/Red and detail of action being taken was advised -

- Scorecard 1.10: Internal Audit where the assessment related to the use of automated audit software for which

there had been some delays to the implementation of an appropriate cost effective solution;

- Scorecard 2.8: Corporate Initiatives and Monitoring relating to the criteria “Payroll System has adequate opinion” which reflected on-going challenges around improving the audit opinion on this fundamental financial system which was reported elsewhere on the agenda at this meeting; and
- Scorecard 2.9: Compliance within the Council’s Procedure Rules which related to the issue of contract documentation on contracted spend which has been highlighted as an issue in the 2019/20 Annual Governance Statement.

Responding to a concern that the reported regular attendance of Internal Audit staff at Directorate Management Team meetings might impact negatively on the independence of the Internal Audit service, the Committee was advised that attendance was intended to seek information and was judged against factors such as projects under consideration, assessment of risk etc.

**RESOLVED** that the self-assessment of the Head of Corporate Governance that the overall system of Internal Audit has been fit for purpose in 2019/20 be noted.

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## **2019/20 ANNUAL REPORT BY THE HEAD OF CORPORATE GOVERNANCE**

The Head of Corporate Governance presented an Annual Report on such matters as required by International Auditing Standards and the 2013 UK Public Sector Internal Audit Standards (Revised 2017). Throughout the year the Head of Corporate Governance reported to the Committee on the internal control environment in place within a number of Directorates arising from Internal Audit work undertaken, and the Annual Report presented a summary of this work. The Annual Report was presented in the form of two appendices to the submitted report –

- The Annual Report and Head of Corporate Governance Opinion of the System of Internal Control for the year ended 31<sup>st</sup> March 2020, presented to assist the Committee in its review of the 2019/20 Annual Governance Statement and with the future review of the Statement of Final Accounts; and
- The Internal Audit and Counter Fraud Team Key Performance Indicators: 2019/20 Achievements and 2020/21 Targets.

It was noted that section 8.1 to the appended Annual Report should reflect that local and parish elections were held on 2<sup>nd</sup> May 2019, and not as presented in the submitted papers.

The overall opinion of the Head of Internal Audit was that reasonable assurance could be given that there were generally robust risk management and governance arrangements and sound systems of internal control designed to meet the Council’s

objectives, and that controls were generally being applied consistently. However, managers had agreed actions to improve controls in key areas, particularly around Payroll (as referenced elsewhere on the Committee agenda) and Personal Budgets and Direct Payments which both had 'inadequate' audit opinions.

Disappointment was expressed at the position regarding Personal Budgets and Direct Payments as these impacted directly on people's lives. With regard to the payroll system, it was advised that a significant effort had been made to support issues around the system. There was optimism that the new system would provide a real opportunity for change in 2020/21, though implementation had been impacted by the Covid-19 pandemic.

On being asked to look ahead at implications of the Covid-19 pandemic, the Head of Corporate Governance noted there had been three months where emergency procedures had been in place and that the temporary procedures would need to be reviewed through two different processes. There would be a need to ensure that all actions and processes, for example the implications of the imposed restriction on the use of bailiffs, were documented in any review.

**RESOLVED** that the Annual Report presented by the Head of Corporate Governance and the continued developments in overall internal control and financial administration across the Council be noted.

## **2019/20 DRAFT STATEMENT OF ACCOUNTS**

The Committee was reminded that the Council is required to prepare a Statement of Accounts for each financial year and those accounts must be prepared in accordance with statutory timelines and accounting practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the UK and any additional CIPFA guidance such as the year end Final Accounts Bulletins.

As a result of the Covid-19 pandemic, revised deadlines and timescales had been agreed by Government such that the publication date for final, audited, accounts for Category 1 Councils such as Oldham had moved from 31<sup>st</sup> July to 30<sup>th</sup> November 2020 and the requirement for the public inspection period to include the first ten working days of June (for Category 1 Authorities) had been replaced with a requirement that the public inspection period must commence on or before the first working day of September 2020. So far as Oldham was concerned, the Council had submitted its draft financial statements to the External Auditors on 31<sup>st</sup> May 2020 with the public inspection period running from 1<sup>st</sup> June to 10<sup>th</sup> July 2020. In order to facilitate the audit process, the Council had made working papers available to the auditors prior to the handover of the Statement of Accounts.

A submitted report introduced the Council's draft Statement of Accounts 2019/20 which was appended to that report and the following issues were highlighted to the Committee –

- the overall revenue outturn position for 2019/20 was a surplus of £0.270, an increase on the favourable variance of £0.065m projected at month 9;
- the year-end variances attributable to each Portfolio area;
- Schools balances at 31 March 2020 of £5.487m were offset by the deficit on the Dedicated Schools Grant (DSG) of £4.916m leaving a net balance of £0.571m held within Other Earmarked Reserves;
- the final Housing Revenue Account (HRA) balance was £21.796m;
- the balance on the Collection Fund was a surplus of £3.295m;
- the small reduction in revenue account earmarked reserves of £1.263m to a level of £79.360m, a decrease in other earmarked reserves of £4.431m to a level of £8.504m, and an increase in the General Fund balance of £0.270m to £15.110m which was reflective of the revenue outturn position;
- expenditure on the Council's Capital Programme for 2019/20 was £54.383m, an increase on the month 9 forecast expenditure of £52.497m requiring funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2019/20;
- Capital Receipts in year totalled £9.914m, all of which were used to finance the Capital Programme in year;
- the significant items in each of the primary financial statements;
- the preparation of Group Accounts incorporating the Councils two wholly owned companies – the Unity Partnership Ltd. and MioCare Community Interest Company; and
- the performance of the Finance Team in closing the accounts.

The Director of Finance noted that the accounts had been completed in accordance with the original statutory deadline and, while this had been a challenge in current circumstances, this reflected the good performance of the Finance Team.

The External Auditor noted that they had now had the draft accounts for 3-4 weeks and were making strong progress in the audit, notwithstanding the challenges presented by current circumstances. There were no matters or significant issues to raise with the Committee at this time and they were looking to conclude the audit by mid-July in order to report further to the Committee in mid/late July.

A Member queried figures provided in Section 9 of the Core Financial Statement and Explanatory Notes that appeared to suggest an increasing number of managers while redundancy tended to affect lower paid staff. The Director of Finance noted

that the figures presented covered both the Council and schools, schools having some degree of discretion in staffing matters with impacted on the figures presented.

In response to queries concerning the impact of Covid-19 on the draft accounts, the Committee was advised that there was little impact given the timing of the pandemic. However, the Committee's attention was drawn to a grant allocation of £7.6m made by government to the Council in the closing days of March which, while reflected in Reserves, was intended for expenditure in the current financial year. The real issue for the Council would be in the current financial year and, while it was important for the Council to demonstrate financial resilience, it was difficult to be clear as to the impact on finances given the evolving situation.

Responding to a query as to the presentation of Covid-related business grants in next years accounts, the Director advised current thinking was that most would be regarded as an agency arrangement on behalf of the government and would not be included in the accounts, while the allocation of discretionary grants would be. It was acknowledged that the financial position for the Council going forward would be challenging, and it could be that in addition to increased funding, the government may introduce some technical changes to help local authorities to spread the cost of Covid response.

**RESOLVED** that the Council's draft Statement of Accounts 2019/20 be noted.

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## **ANNUAL GOVERNANCE STATEMENT 2019/20**

The Committee was reminded that as part of the Statement of Final Accounts the Council also produced an Annual Governance Statement that identifies the significant governance issues the Council needed to consider at the financial year-end to reduce its risk.

The Committee received a report providing an update on progress made to reduce the risk of issues arising where such matters were identified in the Annual Governance Statement for 2018/19 as areas requiring improvement in internal control and assessing whether those matters needed inclusion in the 2019/20 Statement; identifying new risks pre-Covid which were considered appropriate for potential inclusion in the Annual Governance Statement 2019/20; assessing new risks that have become apparent since the pandemic and whether they should be included in the 2019/20 Statement; and presenting the draft Annual Governance Statement for the financial year 2019/20, such matters being addressed within appendices to the submitted report.

Issues identified in 2018/19 had included the need to strengthen internal controls in both Payroll Services and financial systems in Adult Social Care. Both had been long term issues for the Council and assessed progress in each was set out in the



report. On review of the pre-Covid issues identified, there had been a decision taken not to include any of these issues within the 2019/20 Statement. Considering issues from the post-Covid period in 2019/20, two issues relating to the financial resilience of partners and a review of key contractual arrangements with a view to any future emergency situation had been considered as warranting inclusion. The Committee was invited to review the draft Annual Governance Statement for 2019/20.

The External Auditor advised that there were no issues to raise in relation to the Annual Governance Statement at this time, though their review of this document tended to be undertaken towards the end of the audit process.

A Member noted the update provided in respect of the revenue position of Children's Services and the ongoing implementation of a new operating model, querying its position in current circumstances. The Head of Corporate Governance noted that planned efficiencies were being introduced, but clearly there was going to be a pent-up demand to come through as lockdown is lifted. While this would represent a challenge, it was suggested that the service was better placed to address these than it would have been two years ago,

**RESOLVED** that the Annual Governance Statement 2019/20 be agreed.

**11            AUDIT COMMITTEE WORK PROGRAMME FOR 2020/21**

**RESOLVED** that the submitted Audit Committee Work Programme 2020/21 be noted.

**12            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.

**13            UPDATE ON GENERAL MATTERS IN 2019/20**

The Committee received a report providing an update on several matters related to litigation and internal governance which it had been considered appropriate to bring to the attention of the Committee. The Head of Corporate Governance undertook to provide a Member with requested detail concerning a transaction considered at the meeting of the Cabinet held on 23<sup>rd</sup> April 2020.

**RESOLVED** that the report be noted.

The meeting started at 6.00 pm and ended at 7.35 pm