

AUDIT COMMITTEE
03/11/2020 at 6.00 pm



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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud
Lee Walsh	Finance Manager - Capital and Treasury
Karen Murray	Mazars (External Auditors)
Mark Hardman	Constitutional Services
Lori Hughes	Constitutional Services

1 APOLOGIES FOR ABSENCE

There were no apologies for absence received.

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 10th September 2020 be approved as a correct record.

6 VARIATION OF ORDER OF BUSINESS

RESOLVED that agenda item 7 (2019/20 Annual Statement of Accounts) have precedence over the remaining items of business.

7 2019/20 ANNUAL STATEMENT OF ACCOUNTS

Consideration was given to a report of the Director of Finance providing an update on the auditing and approval of the 2019/20 Annual Statement of Accounts.

Further to reports considered by the Committee at meetings on 21st July and 10th September 2020, Members were advised that

while the audit of the 2019/20 Statement of Accounts was substantially completed, there was still assurance required by the external Auditor on the Greater Manchester Pension Fund's valuation of their investments. The External Auditor advised that the final elements of the work will be concluded in the coming days and that the delay was due to consideration of technical issues outside of the Council's control which should not reflect adversely on the Council's preparation of the accounts which had been completed in good time. It was noted that the Committee had already delegated the final approval of the Council's Statement of Accounts, once there had been a satisfactory resolution to the outstanding items, to the Vice Chair after consultation with the Director of Finance.

RESOLVED that

1. the progress on the audit of the Accounts be noted;
2. the delegation of the approval of the Council's 2019/20 Statement of Accounts to the Vice Chair of the Audit Committee after consultation with the Director of Finance and on receipt of advice from the External Auditor be confirmed.

8

EXTERNAL AUDIT PROGRESS REPORT

The Committee gave consideration to a report which presented the External Audit Progress Report, prepared by the External Auditor, Mazars LLP and attached as Appendix 1 to the submitted report.

The External Audit Progress Report provided the Committee with an update on the progress made by Mazars LLP in delivering their responsibilities as the Council's External Auditors. It was noted that work to complete the audit of the Council's financial statements had been ongoing, with liaison discussions being held with Council Officers on the remaining items to be finalised which, as had been noted previously, related to the Council's Pension Fund liability. The Report also highlighted a number of recent publications relevant to the work of the Committee, with particular attention being drawn to the recommendations of the Redmond review which had considered the effectiveness of external audit and transparency of financial reporting in local authorities.

RESOLVED that the External Audit Progress Report be noted.

9

**TREASURY MANAGEMENT MID-YEAR REVIEW REPORT
2020/21**

The Director of Finance advised on the performance of the Treasury Management function of the Council for the first half of 2020/21 and provided a comparison of performance against the 2020/21 Treasury Management Strategy and Prudential Indicators.

It was noted that the Council is required to consider the performance of the Treasury Management function in order to

comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and the submitted report set out the following key Treasury Management issues for Members' consideration –



- an economic update for the first six months of 2020/21;
- a review of the Treasury Management Strategy Statement and the Annual Investment Strategy;
- the Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- a review of the Council's investment portfolio for 2020/21;
- a review of the Council's borrowing strategy for 2020/21;
- why there had been no debt rescheduling undertaken during 2020/21; and
- a review of compliance with Treasury and Prudential Limits for 2020/21.

The report was presented to the Audit Committee to give opportunity to review the report prior to its presentation to Cabinet and Council. In this regard, particular attention was drawn to the Treasury Management Strategy Statement and Annual Investment Strategy Update wherein it was noted the Treasury Management Strategy Statement approved in February 2020 now required revision in light of economic and operational movements which were considered at paragraph 2.4 to the submitted report.

In response to a query as to any opportunity to audit or to assess the deal, it was reported that the purchase by the Council of the Spindles Shopping Centre had been funded through funds set aside in the Capital Programme as presented in a report on the 'Creating a Better Place' initiative approved by Cabinet in August. The Committee was advised that the External Auditor made assessments of value for money, though not normally focused on one specific activity, and that an assessment of the benefits and risks of the purchase had been made by Officers having regard to analysis provided by the Council's external advisors where appropriate. The Committee was advised that the purchase was a key element of the regeneration programme and vision for the Borough and was part of a plan of activity that would take several years to deliver in full.

It was suggested by some members of the Committee that, in light of public comment, the position needed explanation. The Committee was asked to note that some aspects of this matter would be subject to commercial sensitivities, but consideration could be given as to what papers might be available for review if required.

RESOLVED that the Treasury Management Mid-Year Review Report be commended to the Cabinet, noting

- (i) the Treasury Management activity for the first half of the financial year 2020/21 and the projected outturn position;

- (ii) the amendments to both Authorised Limit and Operational Boundary for external debt as set out in the table at paragraph 2.4.5 of the report; and
- (iii) the amendments to the Capital Financing Requirement as set out in the table at paragraph 2.4.5 of the report.

10

UPDATE ON EXTERNAL AUDIT MATTERS

The Director of Finance reported on the publication of the Sir Tony Redmond Report into Local Audit and the Transparency of Local Authority Financial Reporting and on the Audit Scale Fee for the financial year 2020/21.

Members were advised 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. This review had been completed and the report to the Secretary of State for Housing, Communities and Local Government had made 23 recommendations covering External Audit Regulation; Smaller Authorities Audit Regulation; Financial Resilience of local authorities; and Transparency of Financial Reporting. A suggested Council approach to these recommendations, which was considered to be broadly supportive, was presented within the submitted report. While noting comment of the External Auditor that the proposed Office of Local Audit and Regulation, if established as proposed, would not supply audit services, Members commented on the need for such a body to fulfil that central role in local authority audit.

On a further matter, the Committee was reminded that the Council was notified of the Audit Scale Fee on an annual basis. The fee level set by Public Sector Audit Appointments for 2020/21 had remained at £104,428, with a caveat that fee variations might need to be identified and agreed for individual audits.

RESOLVED that the report be noted.

11

AUDIT AND COUNTER FRAUD PROGRESS REPORT

The Head of Corporate Governance reported on the work carried out by the Audit and Counter Fraud Team in the period to 30th September 2020.

Due to the pandemic, in the period 1st April to 31st July 2020, Internal Audit had provided significant non-audit related administration support to Revenues and Benefits services in the processing of Business Grants and in providing advice to support the Council in considering its response to managing Supplier Relief. Members were reminded that a revised Internal Audit Plan had been presented to the Audit Committee on 10th September 2020 which covered the eight-month period from 1st August 2020 to 31st March 2021.

Other Audit and Counter Fraud Team work in this period included:

- contributing to the review of controls around processing Business Grants and discretionary Business Grants in quarter one and two;
- carrying out investigations around potential fraud and error on Business Grants;
- delivering advisory work to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system;
- undertaking preliminary Business Grant Assurance reviews around the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund administered by the Council;
- undertaking audits of Direct Payments; and
- collaborating with colleagues to procure and implement a cost-effective solution to the Audit Management System.

Members sought further information related to the 'inadequate' opinion arising from the Homelessness Review; the nature of, and work-related to, the European REDWOLF grants; and the implications of the pandemic on the planned work programme. Members were further assured that work related to recovery of direct payment monies, which remained high, would be picked up.

RESOLVED that the report be noted.

12 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2020/21**

Further to the submitted work programme, the Head of Corporate Governance advised that it was intended to report to the next meeting on a recently issued Public Interest Report which had highlighted failings in financial control at the subject Council and which impacted on the audit role and scrutiny.

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

13 **EXCLUSION OF 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.

14 **INTERNAL CONTROL MATTERS FOR PAYROLL: UPDATE**

The Director of Finance provided an update on the internal control matters for Payroll arrangements, an update on the implementation of the new system and reported to provide assurance that the issues on administration previously

highlighted to the Committee are being dealt with appropriately by the Council. Members sought assurance that the new system would in time permit the roll out of additional benefits, such as the Bike to Work Scheme, not currently offered by the Council. Subject to maintenance of system control, it was hoped to be able to roll out developments in the system.

RESOLVED that the report, including the revised Implementation date and the importance of the first internal audit opinion on the new system under Fundamental Financial Systems review, be noted.

15 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2019/20 AND NEW ISSUES**

The Head of Corporate Governance provided an update on 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 2019/20 and in identifying new risks which are considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2020/21. In considering the issues identified, the Committee was advised that the submitted report had been prepared prior to the announcement of a new national lockdown which might have impacted on the presented Red/Amber/Green (RAG) risk ratings assigned to those issues. Reference was made to emergent issues which were considered by Members alongside issues raised in the submitted report.

RESOLVED that the report be noted.

16 **BUSINESS GRANT SCHEMES ASSURANCE REPORT**

The Director of Finance reported on the assurance data provided by the Council to the Department for Business, Energy and Industrial Strategy (BEIS) on the administration of the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund regimes. These grant funds allowed payments to be made to eligible businesses and had been introduced by Government to provide emergency support due to the COVID-19 pandemic. In considering and seeking clarification as to ongoing action being taken by the Council in respect of Business and other grants, the Committee also queried the usefulness of previous applications in delivering support available in the new national lockdown. While specific guidance was still awaited, it was noted that the nature of and eligibility for the grant schemes had changed over time and that business ownerships, locations etc did not stay static meaning that new application processes were likely to be required.

RESOLVED that the report be noted.

PARTNERSHIP RISK DASHBOARD

Further to the meeting of the Committee held on 10th September 2020 and a request made for the Head of Corporate Governance to undertake a review of the risks facing the Council from partnership arrangements, the Head of Corporate Governance reported accordingly, advising of the partnerships identified in which the Council has an interest and of the outcome of an exercise to apply a Red/Amber/Green (RAG) risk rating as at 31st October 2020. Members gave a consideration as to the risks associated with individual partnership arrangements and the frequency of reporting that would be required for the Committee to maintain an assurance on risks associated with partnership arrangements generally.

RESOLVED that the report be noted, and further updates be submitted on a twice-yearly basis.

The meeting started at 6.00 pm and ended at 7.57 pm