

AUDIT COMMITTEE
21/01/2021 at 6.00 pm



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

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
Barbara Mulvihill	Data Protection Officer
Alastair Newall	Mazars (External Auditors)
Sian Walter-Browne	Constitutional Services
Mark Hardman	Constitutional Services

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Hobin and 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

No public questions were received.

5 MINUTES OF PREVIOUS MEETING

RESOLVED - that the minutes of the meeting of the Audit Committee held on 3rd November 2020 be approved as a correct record.

6 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 the audit of the Council's 2019/20 financial statements and value for money conclusion had been completed in November 2020, that the required audit work on

the Council's Whole of Government Accounts submission was being undertaken, and that audit planning for the 2020/21 audit would commence in January/February 2021. The National Audit Office had updated their Code of Audit Practice applying from 2020/21 and changed the work that auditors will be required to do and report on in respect of Councils' arrangements to deliver value for money in their use of resources. The report also highlighted a number of recent publications relevant to the work of the Committee, with particular attention being drawn to the response of the Ministry of Housing, Communities and Local Government (MHCLG) to the recommendations of the Redmond review of the effectiveness of external audit and transparency of financial reporting in local authorities.

RESOLVED that the External Audit Progress Report be noted.

7

DATA PROTECTION UPDATE

The Committee received an update on the Council's management and assurance in relation to data protection. The Committee was advised that the Council's Data Protection Officer (DPO) continued to provide advice and guidance to the Council and, through formally agreed service level agreements (SLA), to the Unity Partnership, MioCare and 56 schools (directly maintained and academies) based primarily in Oldham. Under the same SLAs, the Information Management Team continued to provide support and expertise across the wider information governance arena for these organisations, while also delivering an Information Governance Plus model SLA with Children's Services to drive the implementation of information governance on a variety of services/projects: this arrangement was expected to come to a natural conclusion at the end of March 2022 when the current funding stream comes to an end.

The Data Protection Board continued to meet every two months to receive progress updates and to discuss information management requirements in relation to local and wider Greater Manchester Combined Authority (GMCA) activities: the increased number of local and GMCA initiatives that use personal information required full consideration of data protection implications. Examples of joint working and activities undertaken were provided in the submitted report. Actions in respect of the submissions for the Council's Public Services Network (PSN) and Data Security and Protection (DSP) annual mandatory accreditations were advised, along with details of the impact of changes to the Data Protection Act 2018 on how requests for information should be handled by the Council.

A number of data protection incidents had been recorded since the beginning of the financial year and these continued to be actively managed by the Information Security Manager. A concern was expressed as to the number of reported instances in the Children's Services Directorate that dealt with vulnerable children and assurance was sought that no risk resulted from these breaches. The Committee was advised that a robust investigatory system was in place which included a risk

assessment to the person whose details may have been compromised. A particular issue was with pasting content into emails which was also reflected in Information Commissioner statistics. Work was undertaken via Team briefs etc to alert staff to these issues. Further matters considered in the submitted report related to the consideration of cyber-attacks, the relocation of the Council's central records, the continuing support provided to the Council and its partners, and issues related to the UK leaving the European Union.

RESOLVED that the report be noted.

8

TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

The Committee received a report outlining the proposed Treasury Management Strategy for 2021/22 including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy. Part of the Treasury Management operation is to ensure that cash flow is adequately planned to deliver the Council's requirement to operate a balanced budget, with cash being available when it is needed. The second main function of Treasury Management is the funding of the Council's capital plans, guiding the borrowing needs of the Council to ensure that the Council can meet its capital spending obligations.

The Council is, pursuant to regulations supporting the Local Government Act 2003, required to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council is also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the Code) also requires the receipt by full Council of a Treasury Management Strategy Statement. The proposed Strategy for 2021/22 covered two main areas.

Firstly, Capital issues addressing

- capital expenditure plans and the associated Prudential Indicators; and
- the Minimum Revenue Provision (MRP) Policy Statement.

Secondly, Treasury Management issues addressing

- the current Treasury position;
- Treasury Indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the Borrowing Strategy;

- the Policy on Borrowing in Advance of Need;
- debt rescheduling;
- the Investment Strategy;
- the Creditworthiness Policy; and
- the Policy regarding the use of external service providers.

The report presented an outline of the implications and key factors in relation to each of the Capital and Treasury Management issues and made recommendations with regard to the Treasury Management Strategy for 2021/22. The report further included an economic background commentary updated to reflect the latest position, especially in relation to the UK leaving the European Union on 31st December 2020.

The report was presented to the Committee to allow consideration of the proposed Treasury Management Strategy report before it is considered further in the budget setting process, with any comments being incorporated into the report to be presented to Cabinet and Council when those bodies consider the 2021/22 budget.

The practice of some local authorities to purchase property for investment, along with the Government's current views on this, was noted. In this regard, the Council's recent purchase of the Spindles Shopping Centre was queried. The Committee was advised that this purchase was part of a regeneration scheme and not a purchase made principally as an investment activity, notwithstanding that the Shopping Centre would be a Council asset and recorded on the asset register as such. The Council's debt levels were considered, noting the treatment of external capital debt and Private Finance Initiative debt, and a comparison considered with an authority that had invested heavily in property related investments.

RESOLVED that the report and following matters be commended to Cabinet and to Council –

- the Capital Expenditure Estimates as per paragraph 2.1.2 to the submitted report;
- the Minimum Revenue Provision policy and method of calculation as per Appendix 1 to the submitted report;
- the Capital Financing Requirement Projections as per paragraph 2.2.4 to the submitted report;
- the projected treasury position as at 31 March 2021 as per paragraph 2.3.3 to the submitted report;
- the Treasury Limits as per section 2.4 to the submitted report;
- the Borrowing Strategy for 2021/22 as per section 2.6 to the submitted report;
- the Annual Investment Strategy as per section 2.10, including risk management and the creditworthiness policy at section 2.11, to the submitted report; and
- the level of investment in specified and non-specified investments detailed at Appendix 5 to the submitted report.

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 31st December 2020.



The Team had continued to prioritise 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 FFS audits were well underway, the initial stage being near to completion in reviewing 14 systems with throughput value of over £10m. Due to the pandemic, Internal Audit continued to provide 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.

Other Audit and Counter Fraud Team work in this period included

- contributions to reviewing and controls around processing Winter Grants, and continued support around Business Grants and Discretionary Business Grants;
- carrying out investigations around potential fraud and error on Business Grants;
- 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;
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF) and Discretionary Grant Fund (DFG) administered by the Council;
- the Counter Fraud and Direct Payments Audit Teams (Adults and Children) continuing to deliver outcomes which have generated £198,645 and £1,421,626 (respectively) during the first 9 months of the year to 31 December 2020; and
- the Team continuing to collaborate with colleagues to procure and implement a cost effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money.

With reference to Appendix 1 and the summary of reports concluded in the period to 31st December 2020, a Member queried 'Green' ratings allocated in certain areas which, it was suggested, gave a wrong impression. The Committee was advised that the ratings recorded related only to the particular scope of the investigation.

A Member noted that pandemic-related Business Grants were ongoing and queried what checks the Council was making as to eligibility. It was acknowledged that managing and monitoring the various grants process was complicated, with a number of

schemes running. However, Licensing and other Teams provided feedback to the Team, in addition to the Team's own processes. There had also been some whistleblowing from the public. The Committee was advised that wrongful receipt of grants was fraud and that correspondence to recipients did note this fact. It was considered that the Council and its investigatory team was doing its best to minimise fraud.

RESOLVED that the report be noted.

10

**CABINET OFFICE NATIONAL FRAUD INITIATIVE
ARRANGEMENTS FOR 2020/21**

The Committee was advised of the Council's participation in the Cabinet Office National Fraud Initiative (NFI) 2020/21 exercise and of the proposed work to be carried out by the Audit and Counter Fraud Team in conjunction with the Initiative.

The NFI is a long-standing data matching exercise which matched electronic data within, and between, participating bodies to prevent and detect fraud and error. The exercise has been conducted primarily through matching sets of prescribed data that each local authority maintains, with similar data sets submitted by other local authorities, public bodies and a number of private sector bodies. The arrangements for, and the data sets to be reviewed within, the 2020/21 exercise were outlined, and reports providing an update on the outcomes from the investigations undertaken on the 2020/21 data matches would be brought to future meetings of the Audit Committee.

RESOLVED that the report be noted.

11

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

Further to the submitted work programme, the Head of Corporate Governance noted that, further to the Redmond Review, additional meetings of the Committee might be required to consider the draft accounts due to an increased number of technical reports.

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

12

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.

13 **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.

RESOLVED that the report be noted.

14 **UPDATE ON GENERAL MATTERS IN 2020/21**

The Head of Corporate Governance provided an update Members on two Local Authorities which had been subject to a public interest report and a third Authority which was to be subject to a Best Value Inspection, highlighting particular issues for Members' attention. An update in respect of specific litigation in which the Council was involved was also provided. Members considered circumstances and issues arising in respect of those Authorities subject to public interest reports.

RESOLVED - that

1. the report be noted;
2. the matters highlighted in paragraph 4 to the submitted report be progressed as proposed.

15 **BUSINESS GRANT SCHEMES ASSURANCE REPORT - SMALL BUSINESS GRANT FUND, RETAIL HOSPITALITY, LEISURE GRANT FUND AND DISCRETIONARY GRANT FUND**

The Head of Corporate Governance 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, the Retail, Hospitality and Leisure Grant Fund, and the Discretionary Grant Fund (DGF) 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 queried the actions being taken to mitigate fraud and what the implications might be for businesses in respect of recent court rulings concerning insurance, and were further asked to note the complexity caused by the number of grant schemes established to support businesses during the pandemic.

RESOLVED that the report be noted.

The meeting started at 6.00 pm and ended at 8.02 pm