

**AUDIT COMMITTEE**  
**29/06/2021 at 6.00 pm**



**Present:** Councillor Islam (Vice-Chair, in the Chair)  
Councillors Ahmad, Alyas, Surjan and Kenyon (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
Sian Walter-Browne	Principal Constitutional Services Officer

1           **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Briggs, Dean, Gloster, Lancaster and Salamat.

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 Audit Committee meeting held on 10<sup>th</sup> June 2021 be approved as a correct record.

6           **2020/21 ANNUAL REPORT TO AUDIT COMMITTEE**

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which provided the Committee with the Annual Report for 2020/21 and reported back on the matters required by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2017).

The Annual Report for 2020/21 contained the following sections:

- **Appendix 1:** Annual Report and Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management of the System of Internal Control (the Councils Head of Internal Audit) for the year ended 31 March 2021, to assist the Committee's review of the 2020/21 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Accounts.
- **Appendix 2:** Internal Audit and Counter Fraud Team Key Performance Indicators (KPIs): 2020/21 Achievements and 2021/22 Targets.

The Committee noted that the 2020/21 AGS was reported elsewhere on the agenda and it identified ten significant issues for the Council to mitigate its risks during 2021/22. The progress made in mitigating these risks would be reported regularly to the Audit Committees held in the current Municipal Year.

Members were informed that the financial year 2020/21 was a difficult year due to the impact of the pandemic. In terms of the work of the Internal Audit Service, it had resulted in an 8-month plan being agreed, as in the early part of the financial year work had to be undertaken to support the administration of business grants. As such, assurance could only be given to Members based upon this work. Effort had concentrated on ensuring the work on fundamental financial systems was prioritised. In addition, the implementation of the new payroll system was supported by the Service, undertaking the role of a critical friend.

The overall opinion of Oldham Council's Head of Internal Audit, linked into the principle of limited assurance, was that the overall system of Internal Control in Oldham Council was adequate. 2020/21 had been a challenging year and overall, the Council had worked with partners to provide essential services. As with all large organisations there were areas of improvement required, including those identified in the Annual Governance Statement. Whilst improvements in internal control could not be sustained in some areas, there were other promising improvements such as going live with a new payroll system despite the pandemic. The importance going forward was for improvements to be made in the areas identified in the Annual Governance Statement.

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

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### **ANNUAL GOVERNANCE STATEMENT FOR 2020-21**

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which provided the Committee with an update on the draft Annual Governance Statement for the financial year 2020/21.

The Committee noted this report supported the draft Statement of Accounts which were considered elsewhere on the Agenda.

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

Members noted that, at regular meetings of the Committee, update reports had been produced, highlighting the progress made on issues identified for improvement in the Annual Governance Statement produced for 2019/20 and identifying

new issues that required consideration. This had informed the production of the Annual Governance Statement for 2020/21.



The 2019/20 Annual Governance Statement (AGS) had identified a total of nine issues for the Council, which had been monitored in the financial year 2020/21 understand how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal control within both the Payroll Service and the financial administration systems in Adult Social Care. Both matters had been long term issues for the Council to address.

The Committee was informed in respect of payroll there had continued to be improvements in administration which, supported by the implementation of the new MYHR system, meant there was potential in 2021/22 for the opinion to be improved to adequate. The Annual Report showed, due in part to COVID, the administration linked into Adult Social Care had not improved, and as the opinion for the Residential Care audit showed, had declined in 2020/21. As such this might be an area for the Audit Committee to request be subject to a future report when the annual work programme was prepared for the September meeting.

Members noted that progress made to improve arrangements linked into contracting and commissioning would also be incorporated into the future work programme. It was suggested that reports be submitted on this topic to the planned September and March meetings.

Members were informed that, along with other issues to be included in the 2020/21 AGS, it was proposed to add one extra issue linked into ongoing legal issues which were not resolved, involving third parties and other local authorities. If the local authorities lost those cases, it had the potential to impact the future resilience of the Council in future financial years.

Pre COVID it was planned that 2020/21 would be the year local authorities implemented the Financial Management Code. The Council had continued its preparation for this during the financial year and completed a self-assessment which had identified the Council was compliant with a number of requirements in advance of the financial year 2021/22. Looking forward, the most challenging Principle for the Council to demonstrate compliance would be Principle A, involving the management arrangements for Statutory Officers.

Members asked for clarification of the issues around Adult Social Care and were informed that this was a challenging area in most authorities. It had been difficult to programme financial reviews and additional support was being considered. The service was looking to make improvements and this would be a long-term issue.

**RESOLVED** that the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2020/21 be noted.

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## **DRAFT 2020/21 ANNUAL STATEMENT OF ACCOUNTS**

Consideration was given to a report of the Finance Manager (Capital and Treasury), which presented the draft Statement of Accounts for 2020/21 for consideration.

The report highlighted:

- The overall revenue outturn position for 2020/21 was a surplus of £2.153m;
- The year-end variances that were attributable to each Portfolio;
- The level of Grants received in relation to the COVID-19 Pandemic;
- Schools balances at 31 March 2020 were £9.306m
- The Dedicated Schools Grant (DSG) deficit was £3.560m, which was now held in an unusable reserve rather than being netted off the Schools balances (as presented in the accounts in previous years);
- The final Housing Revenue Account (HRA) balance was £21.370m;
- The balance on the Collection Fund was a deficit of £27.213m;
- The revenue account earmarked reserves at £113.512m, other earmarked reserves at £29.452m (Revenue Grant Reserves of £20.145m plus School Balances as above) and an increase in the General Fund balance of £2.153m to £17.263m, reflective of the revenue outturn position;
- Expenditure on the Council's Capital Programme for 2020/21 was £73.227m, which was an increase on the month 9 forecast expenditure of £71.012m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2020/21;
- The significant items in each of the primary financial statements;
- The preparation of Group Accounts incorporating the Council's two wholly owned companies – the Unity Partnership Ltd. and MioCare Community Interest Company;
- The performance of the Finance Team in closing the accounts.

The presentation of the draft Statement of Accounts provided the Committee with the opportunity to review the Council's year-end financial position.

Members asked for and received clarification on the following:-

- Severance packages – the figures showed the cumulative cost of the package including pension strain, not the amount received by the individual.

- Increased number of write-offs – the staff who would usually undertake reviews had been moved to other tasks last year and reviews were being undertaken fully now.
- Investment with a term of one day – this was related to an investment in a fund that required one day's notice to withdraw the investment. The notice-term was therefore one day.
- Unspent Covid grants – the final payment dates for some grants ran over the end of the financial year. Unspent discretionary grants (for which the Council acted as a Principal) were held in reserves. Unspent mandatory grants (for which the Council acted as agent for the government) were reflected in the balance sheet. Unspent grants had been rolled forward to this year (2021/22) and many were already spent.
- Supplementary statement for the Housing Revenue Account – one presentation of the outturn included depreciation and one did not. This was the result of a technical accounting requirement.
- Croydon-type risk – the Council took a rigorous risk-averse approach to income and would not therefore credit income without reasonable certainty of receipt.
- External Audit delay in agreeing accounts – this had been caused by the GMPF last year. This year was on track for agreement by the end of July.
- Increased reserves – reserves were higher than expected largely due to the impact of the pandemic and the volatility of the financial position. The Council would still rely on reserves to balance its budget in future years. The increase in reserves improves financial resilience and would help give time for service redesign to take place and efficiencies to be delivered. Reserves could also be used if government funding was reduced.

**RESOLVED** that the Council's draft Statement of Accounts for 2020/21 be noted.

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## **TREASURY MANAGEMENT REVIEW 2020/21**

Members gave consideration was given to a report of the Finance Manager (Capital and Treasury), which provided them with the annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. The Committee noted the report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved 26 February 2020)
- a mid-year (minimum) treasury update report (approved 16 December 2020)

- an annual review following the end of the year describing the activity compared to the strategy (this report)



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The regulatory environment placed responsibility on Members for the review and scrutiny of treasury management policy and activities. The report was therefore important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The Committee was charged with the scrutiny of treasury management activities in Oldham and was requested to review the content of the annual report prior to its consideration by Cabinet and Council (to ensure full compliance with the Code for 2020/21).

The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, were set out in the report.

The Committee noted that actual capital expenditure was less than the revised budget estimate for 2020/21 presented within the 2020/21 Treasury Management Strategy report considered at the Council meeting of 4 March 2021. The outturn position was significantly less than the £147.632m original capital budget for 2020/21 as approved at Budget Council on 26 February 2020.

It had been apparent at the beginning of 2020/21 that spending plans were not going to be realised, the COVID-19 pandemic halted works on projects and delayed the start of others. Because of this, and taking account of re-profiled expenditure, new assumptions, approvals and scheme updates the expenditure budgets and funding plans were continually reassessed throughout in year. The significant re-phasing was associated with the revised vision and strategic framework for 'Creating a Better Place' which was approved in August 2020. This placed more emphasis on economic recovery, given the impact of the pandemic. This review required several existing regeneration projects to be examined and rephased to align to the long-term vision of the new strategy.

The final outturn position for 2020/21 of £73.227m was a significant reduction compared to the expenditure initially planned and approved at Budget Council in February 2020.

Short Term Temporary Borrowing was undertaken during the year and was detailed in the report.

Other prudential and treasury indicators were set out in the main body of the report.

The Director of Finance confirmed that the statutory borrowing limit (the authorised limit) was not breached during the financial year 2020/21.

The Committee noted that the financial year 2020/21 had continued the challenging investment environment of previous years, namely low investment returns. The Council constantly sought the best rate of return.

On being put to the votes, it was

**RESOLVED that :-**

1. The actual 2020/21 prudential and treasury indicators presented in the report be approved.
2. The annual treasury management report for 2020/21 be approved.
3. The report be commended to the Cabinet.

The meeting started at 6.00 pm and ended at 7.04 pm