

AUDIT COMMITTEE
16/07/2018 at 4.30 pm



Present: Councillor Haque (Vice-Chair, in the Chair)
Councillors Ahmad, Azad, C. Gloster, Harrison, Sheldon, Taylor and Toor

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Jane Whyatt	- Audit and Counter Fraud Manager
John Farrar	Grant Thornton UK LLP
Helen Stephenson	Grant Thornton UK LLP
Siobhan Barnard	Grant Thornton UK LLP
Karen Murray	Mazars
Sabed Ali	Assistant Manager - Internal Audit
Kaidy McCann	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury
Vickie Crewe	Senior Accountant
Andrew Bloor	Assistant Manager - Counter Fraud
Helen Cairns	Senior Accountant

1 **ELECTION OF VICE CHAIR**

RESOLVED that Councillor Haque be elected Vice Chair for the Municipal Year.

2 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

3 **URGENT BUSINESS**

There were no items of urgent business received.

4 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

5 **PUBLIC QUESTION TIME**

There were no public questions received.

6 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee held on 19th March 2018 be approved as a correct record.

7 **TREASURY MANAGEMENT OUTTURN 2017/18**

Consideration was given to a report of the Director of Finance on Treasury Management Activity for 2017/18 and the actual prudential and treasury indicators for the year. 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 2017/18, the minimum reporting requirements were that the full Council should receive an annual treasury strategy in advance of the year (approved 1st March 2017), a mid-year (minimum) treasury update report (approved 13th December 2017) and an annual review following the end of year describing the activity compared to the strategy (this report).

The report outlined the following:

- Council's capital expenditure and financing during the year;
- The impact of that activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Overall treasury position which identified how the Council has borrowed in relation to this indebtedness; and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity;
- Detailed investment activity; and
- Reporting of the required prudential and treasury indicators.

A briefing note was provided to the Members which summarised the key issues within the 2017/18 Treasury Management Review.

The key items that were considered were:

- Compliance with Statutory and CIPFA requirements.
- The Council's Capital Expenditure and Financing during 2017/18.
- The Council's overall borrowing need.
- Authorised Limit and Operational Boundary.
- Treasury Position at 31st March 2018.
- Borrowing Outturn.
- Investment Portfolio.
- The potential use of Asset Backed Bonds after an appropriate due diligence exercise.
- The attainment by the Council of professional status in relation to the Markets in Financial Instruments Directive II (MIFID II).

RESOLVED that:

1. The actual 2017/18 prudential and treasury indicators presented be approved.
2. The annual treasury management report for 2017/18 be approved.
3. The report be commended to Cabinet.

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RESERVES POLICY FOR 2017/18 TO 2018/2019

Consideration was given to a report of the Director of Finance which briefed Members on the proposed Reserves Policy of the Council for the financial years 2017/18 to 2018/19 and sought their views.

The Committee was informed that, from the financial year 2014/15, the Council had developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy. The presentation of the Policy to the Audit Committee introduced improved transparency into this process which had previously been managed at the discretion of the Chief Financial Officer when the closure of the Final Accounts was undertaken.

The Policy was presented to the Audit Committee to review and also provide assurance that the Council managed its reserves effectively and in accordance with the questions posed within the Audit Commission publication “Striking the Balance”. Whilst produced a number of years ago the questions highlighted in the report were still relevant.

Members received further details of the 15 major reserve categories and their priority areas as set out in the Reserves Policy at Appendix 1 of the report and also included in Note 15 of the Statement of Accounts elsewhere on the agenda. Clarification was provided on the use of reserves to support the 2018/19 budget and how frequently reserves would be reviewed. The Schools Related Reserves and the District Partnership Reserves were further explained.

Options considered

Option 1: that Members approve the approach to the creation and maintenance of reserves as set out in Appendix 1.

Option 2: that Members suggest an alternative approach to the creation and maintenance of reserves.

RESOLVED that the Reserves Policy for 2017/18 to 2018/19 be approved as set out in Appendix 1.

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REVIEW OF THE SYSTEM OF INTERNAL AUDIT BY THE AUDIT COMMITTEE

Consideration was given to a report of the Head of Corporate Governance which updated the Members of the Audit Committee, following the external and internal assessments of the system for Internal Audit within the Council, for the financial year 2017/18.

The external assessment was conducted by the Chartered Institute of Finance and Accountancy (CIPFA) in September 2017 (the assessment was presented at Appendix 1) and the internal assessment was conducted by the Head of Corporate Governance (the assessment was presented at Appendix 2). It was noted that the assessments are based on a “Balanced Scorecard” approach, scoring certain aspects of the overall Corporate Governance Service against specific criteria from the Public Sector Internal Audit Standards (PSIAS) using a Red, Amber/Red, Amber/Green and Green scoring system as agreed by the previous Audit Committee.

Members were informed that the 2017/18 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud and Risk Insurance) concluded that the service is good. It was noted that two of the criteria (1.10 and 2.8) were assessed as Amber/Red and would therefore require management attention in 2017/18 around the wider system of Internal Audit and Control.

Members were advised that Scorecard 1.10: Internal Audit Red assessment related to the use of automated audit software and that there had been some delays in the implementation of an appropriate cost effective solution. It was noted that the team had worked with Business Intelligence and ICT colleagues to capture the business requirements and market engagement to secure a cost effective solution, via the Council's procurement process.

Members were also advised that Scorecard 2.8: Corporate Initiatives and Monitoring Red assessment related to the criteria "Payroll System has adequate opinion", which reflected the on-going challenges around improving the audit opinion on the Fundamental Financial System.

RESOLVED that the self-assessment of the Head of Corporate Governance that the overall system of the Internal Audit had been fit for purpose in 2017/18 be noted.

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ANNUAL REPORT TO THE AUDIT COMMITTEE

Consideration was given to the Annual Report of the Head of Corporate Governance on the Internal Control Environment in place within a number of Directorates; this included details of internal audit work undertaken.

The report highlighted the progress made against the issues raised in the 2017/18 Annual Governance Statement (AGS) and demonstrated continued overall improvement in control and financial administration across the Council during 2017/18. The report also summarised the 2017/18 performance by the Internal Audit and Counter Fraud Team and targets for 2018/19.

RESOLVED that the Annual Report by the Head of Corporate Governance, and the improvement in overall internal control and financial administration across the Council be noted.

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ANNUAL GOVERNANCE STATEMENT (AGS) FOR 2017/18

Consideration was given to a report of the Head of Corporate Governance which provided an update on the progress made to reduce the risk of issues arising for the Council to address, which were identified as areas to improve internal control within the Annual Governance Statement for 2017/18. It also identified the significant governance issues that the Council needs to

consider at the financial year end to reduce its risk. The ASG 2017/18 was presented as Appendix 1 of the report and set out 8 governance issues and major risks for the Council.

The report also briefed Members of the future proposal to report on the statutory role of the Data Protection Officer, which after the introduction of the General Data Protection Regulations (GDPR) on the 25th May 2018, became a statutory officer in the Council.

RESOLVED that:

1. The 2017/18 Annual Governance Statement be noted.
2. The future reporting of the Data Protection Officer be noted.

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OLDHAM COUNCIL AUDIT FINDINGS REPORT 2017/18 (DRAFT)

Consideration was given to a report of the External Auditors, Grant Thornton, on the audit findings for Oldham Metropolitan Borough Council for the year ending 31st March 2018, as required by the International Standards on Auditing and national legislation.

The report highlighted:

- That subject to outstanding queries being resolved, the audit of the Group and Council financial statements was substantially complete and an unqualified opinion was anticipated.
- The opinion on the information published alongside the financial statements, primarily the Annual Governance Statement and Narrative Report was positive and states the information provided was consistent with the financial statements.
- The Value for Money (VFM) opinion was also positive and stated that Grant Thornton UK LLP were satisfied that, in all material respects, the Council had arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Committee was informed that, after the agenda had been published, some changes had been made to the Audit Findings Report and a revised and final version was circulated to members of the Committee. Members were informed that the audit and issuing of the audit certificate cannot be formally concluded until the necessary work to issue the Whole of Government Accounts (WGA) has been completed. In addition, the audit cannot formally conclude until the completion of the consideration of an objection to the 2016/17 accounts brought to the attention of External Auditors by a Local Elector.

RESOLVED that the Audit Finding Report for the 2017/18 financial year be noted.

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Consideration was given to a report of the Director of Finance which provided the Committee with the Councils 2017/18 Statement of Accounts.

The report highlighted:

- The content of the External Auditors Audit Findings report with an unqualified opinion on the Statement of Accounts and positive value for money opinion.
- The overall revenue outturn position for 2017/18, a surplus of £0.150m before the transfer to earmarked reserves to support the 2018/19 budget. This was a marginal increase in the forecast underspend presented in the last financial monitoring report approved by Cabinet on 26th March 2018. Following the transfer to the 2018/19 Budget Reserve the net General Fund movement was a decrease of £0.753m, when comparing the revenue budget to the outturn.
- The capital outturn position with expenditure of £25.803m compared to a forecast position of £27.145m. This was mainly due to the re-profiling of the planned expenditure for a number of capital projects which will be moved into 2018/19 together with the associated financing.
- The Capital Receipts in year totalled £11.363m against a financing requirement of £6.780m.
- The Schools balances at the year-end totalled £5.545m, however this is offset by the deficit on the Dedicated Schools Grant of £3.031m, leaving a net reserve of £2.514m.
- The final Housing Revenue Account (HRA) balance was £20.162m
- The speed of the preparation of the accounts.
- The performance of the Finance Team in closing the Council's accounts and its focus on continuous improvement of its processes.

The presentation of the audited Statement of Accounts provided Members with the opportunity to further review the Council's year-end financial position following completion of the audit by the Council's external auditors, Grant Thornton UK LLP and the conclusion of the period for public inspection.

The Committee was asked to formally approve the accounts following the completion of the required Statement of Accounts public inspection period.

Members requested a note of thanks be issued to the Finance Team to acknowledge the hard work that had been undertaken in the completion of the Final Accounts.

RESOLVED that the Council's audited Statement of Accounts for 2017/18 be approved and the approval of the Management Letter of Representation be noted.

Consideration was given to a report of the new External Auditors, Mazars, which provided the Committee with an introduction to the organisation.



It was highlighted that:

- The International Partnership has 290 offices in 83 Countries with over 20,000 members of staff. For 2016/17 €1.5bn had been generated from fee income (64% in Europe).
- The UK firm has 19 offices with 1950 members of staff. For 2016/17, £165m had been generated from fee income (45% Audit).
- The UK Public Services Team has 202 members of staff, rising to 245 when the new PSAA contract commences. The team provides external audits, risk assurance and advisory to the public sector, such as Local Government, Housing, Education and the NHS. For 2016/17, £24m in fee income had been received from Public Services clients. The team have a number of Centres of Excellence including Durham, Leeds, Manchester, Birmingham, Nottingham and London.
- Mazars is a Values Led Organisation, which tries to make a positive difference to their clients and the communities where they work.
- The Partner/Director team is highly experienced with 25 years behind them.
- Mazars is the only firm to be rated 'Green' overall on quality by the Audit Commission/PSAA every year since 2013.
- The handing over of the audits will be undertaken in September 2018 to avoid disruption to the 2017/18 audit.
- Offers had been made for the team and all positions have been accepted for September 2018.

RESOLVED that the report be noted.

The meeting started at 4.30 pm and ended at 6.32 pm