

AUDIT COMMITTEE
08/06/2023 at 6.00 pm



Present: Mr Grenville Page (Independent Chair)
Councillors Akhtar, Al-Hamdani, Birch, Ghafoor, Harkness,
Salamat and Sheldon

Also in Attendance:

Anne Ryans – Director of Finance
Mark Stenson – Assistant Director of Corporate Governance and
Strategic Financial Management
John Miller – Head of Internal Audit and Counter Fraud
Victoria Gallacher – Head of Insurance and Information
Management
Lee Walsh – Finance Manager (Capital and Treasury)
Daniel Watson – Mazars LLP (External Auditors)
Peter Thompson – Constitutional Services

1 **APPOINTMENT OF VICE CHAIR**

Resolved:

That the appointment of the Committee's Vice Chair be deferred
to the Committee's next meeting on 27th June 2023.

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors S.
Bashforth, Davis, Sykes and Woodvine. Councillor Harkness
attended as the substitute for Councillor Sykes and Councillor
Sheldon attended as the substitute for Councillor Woodvine.

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 for this meeting of the
Committee to consider.

6 **MINUTES OF PREVIOUS MEETING**

In moving the Minutes of the Committee's previous meeting,
held on 28th March 2023, the Chair noted that he was the only
member present who had attended that meeting. Accordingly,
the Chair requested that all members present at the meeting
introduce themselves.

Resolved:

That the Minutes of the meeting of the Audit Committee, held on
28th March 2023, be approved as a correct record.

AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE MANAGEMENT PROCESS AND ARRANGEMENTS

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which advised that to enable the Council's external auditors, Mazars LLP, to carry out their duties under the Local Audit and Accountability Act 2014, the Audit Committee via the Chair (for the vast majority of the 2022/23 financial year in Oldham this was the Vice Chair) was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

In carrying out their annual audit of the Council, Mazars LLP had complied with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require that the auditor makes inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses to the inquiries of management. Mazars LLP has sent the (Vice) Chair of Oldham Council's Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the Vice Chair of the Audit Committee's proposed responses were set out in Attachment 1 of the Appendix to the submitted report. There is a requirement to respond to Mazars LLP by 30th June 2023.

The Committee noted that some of the terminology in the report, regarding identity and responses to the risks of fraud required updating.

Resolved:

That the Committee notes the response of the Audit Chair to Mazars LLP.

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE MANAGEMENT PROCESS AND ARRANGEMENTS

The Committee considered a report which advised Members that to enable the Council's External Auditor, Mazars LLP, to carry out duties required under the Local Audit and Accountability Act 2014, the Director of Finance was required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

In carrying out the annual audit of the Council, Mazars LLP had to comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries were made in part to corroborate the responses

to the inquiries of the Vice Chair of the Committee. Mazars LLP has sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the Director of Finance's proposed responses were set in the appendix to the report. There was a requirement to respond to Mazars LLP by 30th June 2023.

The Committee noted that some of the terminology in the report, regarding identity and responses to the risks of fraud required updating.

Resolved:

1. That the report be noted.
2. That the Director of Finance be authorised to submit appropriate responses to the questions submitted by Mazars LLP.

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UPDATE OF KEY DEVELOPMENTS WITHIN THE REMIT OF THE COMMITTEE

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management that provided a general update report to the Audit Committee, informing members of a number of developments, both national and local, which would likely impact on their role in the Council as the Committee charged with governance.

Due to concerns about the timeliness of local audit reporting there were a number of potential developments nationally, and the submitted report provided an update on useful information for Members. The report also detailed the progress on the audit of the 2021/22 Statement of Final Accounts (SOFA) and the submission for audit and inspection of the 2022/23 SOFA and it was noted that a vital role of this Committee was to approve the audited accounts on behalf of the Council.

The report also detailed the proposed training for the Committee's Members. A high proportion of items considered over the financial year were technical in nature and the training would assist in the discharge of the governance role.

The Committee was informed that the challenges of Local Authorities obtaining timely audit opinions on their accounts had been widely reported across the public sector. The production of the SOFA had become more complex in part as more technical accounting requirements were being introduced into the process. This had challenged both the capacity of a proportion of Local Authorities to produce accounts to a standard for external audit in the timescale specified within the Accounts and Audit Regulations, and the capacity of External Auditors to complete the audit within agreed timescales.

The submitted report set out a summary of the plans which are beginning to develop within the Local Audit environment, with the objective of improving the timeliness of reporting the Local Authority SOFA. The report also sets out the progress made on the audit of the 2021/22 SOFA and the publication/submission of

the draft 2022/23 SOFA for audit. It also sets out the proposed training for Members of this Committee to assist them in discharging their role.



A key recommendation from the Redmond Review was the creation of an independent body to oversee Local Public Audit. The response to the Redmond Review by the Department for Levelling Up, Housing and Communities (DLUHC) was to accept this recommendation with a proposal to create the Audit, Regulation and Governance Authority (ARGA). This would replace the Financial Reporting Council (FRC) acting as a local leader for local audit.

Presently ARGA had not been created as an independent entity. It was awaiting primary legislation in Parliament, and, at present, there is no definite timetable for when this will occur. In order to oversee the transition from a shadow body, a Director for Local Audit (employed by the FRC) has been engaged and is developing the response to improve local audit. At present the FRC is acting as the system leader during the shadow period. The Director of Local Audit is currently recruiting staff to enable future planned developments to progress.

As an interim measure, since July 2022, DLUHC has acted as interim system leader by establishing and chairing the local audit Liaison Committee of senior stakeholders and by leading work to agree a system wide package of measures to reduce local audit delays. This planned approach is set out in the Memorandum of Understanding which was detailed further in the submitted report.

The Committee was informed that there were two Parliamentary Select Committees, which undertook the Scrutiny of the timeliness of Financial Reporting and subsequent effectiveness of Local Audit. These were the Public Accounts Committee (PAC) and the Levelling Up, Housing and Communities Select Committee which provided Scrutiny on the performance of local audit. Both Committees considered evidence linked to local auditor reporting on local authority accounts.

Resolved:
That the report be noted.

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LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management , which presented a refreshed Local Code of Corporate Governance, which covered the authority.

The Committee was informed that the Council was required to produce a Local Code of Corporate Governance, which would be subject to review every two years at a minimum or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed and presented to the Audit Committee on 9th June

2022. Oldham Council's refreshed Local Code of Corporate Governance was attached at the Appendix to the report.



In order to assist with complying with the Accounts and Audit Regulations 2015 which requires the annual production of an Annual Governance Statement, the Council was required to produce a Local Code of Corporate Governance.

The Code reflected the seven principles of the Chartered Institute of Public Finance and Society of Local Authority Chief Executives Governance Framework applicable to Local Government, which were refreshed in 2016/17. The changes to the Local Code detailed, reflected the need to remove reference to the temporary revisions in the Accounts and Audit Regulations that were introduced during the COVID-19 pandemic and the change in the External Audit Manager with effect from the start of the 2022/23 SOFA.

The Assistant Director of Corporate Governance and Strategic Financial Management, in conjunction with the Director of Finance, reviewed the Code on a regular basis whilst also monitoring the progress made by the Authority in complying with its policies and procedures to ensure best practice.

Resolved:

That the Committee approves the refreshed Local Code of Corporate Governance for Oldham Council.

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INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT ON 2022/23

The Committee considered a report of the Head of Internal Audit and Counter Fraud, which summarised the work carried out by the Internal Audit & Counter Fraud team from 1st April 2022 to 31st March 2023. During the year the Audit Service had prioritised the Council's Fundamental Financial Systems (FFS) reviews to support both the 2021/22 and 2022/23 assurance process, to support the production of the financial accounts, plus the Annual Opinion that was detailed in the report.

In addition, other Audit and Counter Fraud Team activity included:

- a. Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information and Assurance Statements in respect of grants received.
- b. Continued support in providing assurance in respect of other non-COVID Central Government Grant regimes; Compilation of the 2021/22 Annual Audit Report and Opinion and reports detailing key issues for this Committee.
- c. The completion of a variety of other planned Audit reviews and reports on Local Authority Maintained Schools, Miocare CIC's Fundamental Financial Systems, Alexandra Park Eco-Centre, the Council's Let Estate Function and Home to School Transport.

- d. Issuing briefing notes and reports on Postal Voting during the election in May 2022 and the Hollinwood by-election.
- e. Issuing briefing notes on ad-hoc reviews of Foster Care Aids and Adaptations, Payroll Leavers procedures, Tax Compliance and Controls, Children's Social Services Cash Imprest Accounts, Duplicate Payments and Children's Services Recruitment.
- f. The commencement of audit reviews of Semi-Independence Units, Housing Strategy implementation, Out of Borough Education and Land Sales, and in connection with the pre-contract phases of the North Chadderton High School Extension, the Spindles redevelopment, Diggle Clock Tower, The Old Library and Egyptian Room projects.
- g. Corporate Counter Fraud activities have identified £312,061 of fraud errors and overpayments. The Direct Payments Audit Team (Children and Adults) have continued to deliver significant recovery outcomes which have generated £188,976 and £2,865,466 (respectively) for the period 1st April 2022 to 31st March 2023.
- h. Having an independent inspection undertaken for Public Sector Internal Audit Standards.

In reply to a query from a member the meeting was informed that in addition to annual FFS work on Adult Social Services in connection with Direct Payments and Residential Care the Internal Audit service contributed to Adult Social Care Service working groups to address the concerns raised in the FFS audit reports in these areas. As a result of these discussions, the Audit Service assisted the Service by the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit was concluded.

Further to paragraph 2.6 of the report, a member sought clarification regarding the sign-off of grant-funding schemes referring to some earlier confusion regarding who had the appropriate authority to authorise such payments.

The Chair of the Committee noted that the report detailed six areas of the Council's remit that the Internal Audit Service had deemed to be 'inadequate'. The Head of Internal Audit and Counter Fraud assured the Committee that all of these areas would be subject to a follow-up audit action within 12 months of the original decision to ensure that agreed improvements were taking place.

Resolved:

That the Committee notes the 2022/23 Audit and Counter Fraud Progress Report.

PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which presented a proposed work programme for 2023/24, which with effect from this year was intended to be aligned with the work programmes of the newly established Scrutiny Boards that were established by the Council on 24th May 2023. A tracker to focus on the progress of actions approved/endorsed by the Committee would become part of the Work Programme report with effect from the Committee's next meeting.

The Chair requested that the work programme have, wherever possible, a focus on Risk with the possibility of the Committee being able to take 'deep dives' and more focused reports on areas of concern, that may arise from time to time.

Resolved:

That the report be noted.

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 two items of business on the grounds that they contain exempt information, as defined under paragraphs 1 and 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.

PARTNERSHIP RISK DASHBOARD

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management which highlighted the potential risks to the Council of companies/partnerships of which it has ownership. In this regard the Committee had previously requested sight of regular reports analysing the potential risks to the Council from the partnerships in which it has an interest for its consideration.

The Committee was advised of the partnerships that had been identified in which the Council has an interest and then used a traffic light system to rank the risk to the Council (green, amber and red), as at 31st May 2023. These partnerships and the current assessment of risk were split into seven categories:

1. 100% Council Owned Companies.
2. Companies in which the Council has an Equity Stake.
3. Special Purpose Vehicles.
4. Council Initiatives
5. The Green Agenda
6. Local Government Association
7. Residual Commitments

The latest version of the Authority's Partnership Risk Dashboard was circulated for Member's consideration. It was planned that at meetings of the Committee consideration would be given to

individual sections of the dashboard with the Committee providing further detail on the current assessment of risk; this would allow for further targeted information to be presented in the future. In this regard, Members requested that a report be submitted to a future meeting considering the associated risks arising from the Council's collaboration with Northern Roots.

Resolved:

1. That the Committee note the report and current level of assessed risk on current partnerships to the Council.
2. That the Director of Finance be requested to present a report, detailing the risks to the Council arising from the Council's collaboration with Northern Roots, to the Committee, at either of its meetings in September or October 2023.

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SENIOR INFORMATION RISK OWNER

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which set out an overview of the role undertaken by the Senior Information Risk Owner (SIRO) to the Audit Committee which receives reports on this matter every six months. The report also highlighted two security incidents which highlighted the potential risks around cyber security. The Committee expressed its satisfaction at the efficient manner in which these two incidents were dealt with.

The SIRO was responsible for owning the overall information risk policy and ensuring its effective use across Oldham Council, and for leading the cultural change necessary within the organisation to ensure that information was valued, protected, and used properly by all members of staff and elected members. Within the Council, the SIRO: has overall ownership of the Council's Information Risk Policy; is required to act as champion for information risk to the Authority's Management Board; is responsible for providing written advice to the Audit Committee on the content of the Council's Statement of Internal Control regarding information risk; and is responsible for decisions in relation to any information issues or incidents.

When security incidents involving personal data occur, the SIRO is a key stakeholder in determining whether the Information Commissioners Office (ICO), who is the regulator of the Data Protection Act, should be informed.

Resolved:

That the report be noted.

The meeting started at 6.00pm and ended at 7.15pm