

AUDIT COMMITTEE
10/03/2022 at 6.00 pm



Present: Councillor Islam (Vice Chair in the Chair)
Councillors Arnott, Briggs, C. Gloster and Surjan

Also in Attendance:

Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Lee Walsh – Finance Manager – Capital and Treasury

Alistair Newall – Mazars (External Auditors)

Peter Thompson – Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Ahmad, Alyas, Dean 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 for this meeting of the Committee to consider.

5 **MINUTES**

Resolved:

That the Minutes of the meeting of the Audit Committee held 17th January 2022 be approved as a correct record.

6 **AUDIT STRATEGY MEMORANDUM 2021/22**

Consideration was given to a report from the Assistant Director of Corporate Governance and Strategic Financial Management, which put forward the proposed Audit Strategy Memorandum for the financial year 2021/2022. The report was presented by Alistair Newall, the representative of the Council's external auditors, Mazars.

The Committee was informed that the Audit Strategy Memorandum set out the proposed work to be undertaken by the external audit team on the 2021/2022 Statement of Final Accounts including the Value for Money Opinion which was linked to the future financial resilience of the Council.

In this regard the Committee was advised that 2021/2022 was the second audit year where Mazars would be undertaking value for money (VFM) work under the 2020 Code of Audit Practice. Their responsibility remained to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where they identified significant weaknesses in arrangements. Separately Mazars had provided commentary on the Council's arrangements in the Auditor's Annual Report.



Resolved:
That the Audit Strategy Memorandum for 2021/2022 be noted.

7

TEACHERS' PENSION AGENCY 2020/21 END OF YEAR CERTIFICATION

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management which informed Members that on 5th November 2021 the Teachers' Pension Agency had confirmed their agreement to the contributions paid over to them by the Council for the financial year 2020/2021. The Teachers' Pension Contributions paid over to the Teacher's Pension Agency were subject to a specific external audit review, with an annual certification provided. This had resulted in an annual certification.

The Committee noted that the information attached at Appendix 1, to the report, was overall positive and, maintained the significant improvement that had first been reported in 2019/2020.

Resolved:
That the report be noted.

8

2021/22 FINAL ACCOUNTS - PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS.

The Committee considered a report of the Director of Finance that set out the Council's proposed accounting policies and critical judgements that were to be adopted to complete the 2021/2022 Statement of Accounts. The report also updated the Committee on the recent consultation and potential impact on the Statement of Accounts for 2021/2022 and 2022/2023.

The Committee's report outlined the latest consultation that had been issued in February 2022 on the emergency proposals for an update of the 2021/2022 Code of Practice on Local Authority Accounting in the UK and the 2022/2023 Code, that may impact the preparation of the 2021/2022 accounts. It also presented the significant accounting policies that would be used in the preparation of the 2021/2022 Statement of Accounts and explained the requirement to disclose the critical judgements made by management when producing the Statement of Accounts.

In December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA/The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) to consider ways in which the Code may ameliorate this crisis position within the sector, regarding the fact that the significant majority (91%) of local bodies had missed the statutory deadline of 30th September 2021 for publication of their audited 2020/2021 accounts (Oldham was not one of the 91%). CIPFA/LASAAC considered this request and had issued this exceptional consultation in February 2022, which explored two possible changes that might be made as an update to the 2021/2022 Code and to the agreed position in the 2022/2023 Code.

After considering a wide range of options CIPFA/LASAAC decided to explore two approaches: Firstly, an adaptation to the Code to allow Local Authorities to pause professional valuations for operational property, plant and equipment (PPE) for a period of up to two years (though the initial proposal is for the 2021/2022 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation. The second approach was to defer the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

The consultation lasted for a 4-week period up to 3rd March 2022. The Council had responded to the consultation, details of which were presented at Appendix 3 to the Committee's report.

The Council's accounting policies were the specific principles, conventions, rules and practices that were applied in the production and presentation of the annual Statement of Accounts. These policies must be disclosed as a note to the annual accounts. A copy of the policies was attached at Appendix 1 to the report. There had been no changes from the policies used to prepare the 2021/2022 Statement of Accounts.

The International Financial Reporting Standards (IFRS) 16 Leasing implementation date was under review due to the consultation that was referred to above. The consultation is proposing that the implementation date be deferred for a further year, with a new proposed start date of 1st April 2023 for preparation of the financial year 2023/2024.

In line with IFRS and the Code, the Council was required to disclose those judgements that management had made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements and these were presented at Appendix 2 to the report.

Resolved:

1. The Committee notes the recent consultation response provided by the Council to the emergency proposals for an update of the 2021/2022 Code of Practice on Local Authority Accounting in the UK and the 2022/23 Code 2).
2. The Committee approves the Council's proposed accounting policies to be adopted in completing the 2021/22 Statement of Accounts
3. The Committee notes the critical judgements made by management when producing the Statement of Accounts.

2021/22 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which summarised the work carried out by the Audit team from 1st April 2021 to 28th February 2022. The team has continued to

prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/2022 audit of the financial accounts. Several Interim FFS reviews had reached the draft report stage, with the balance to follow in the final quarter of 2021/2022.

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

- Continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
- Compilation of the Annual Audit and Counter Fraud Plan for this Committee.
- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) had continued to deliver significant recovery outcomes which generated £393,969 and £2,809,216 (respectively) in the first eleven months of the current financial year.

Resolved:

That the 2021/2022 Audit and Counter Fraud Progress Report be noted.

10

PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2022/2023

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management that set out a Work Programme for the Committee through to the end of the 2022/2023 municipal year. The report included details of meeting dates, venues, agenda items and a summary of the report's issue.

The workplan would be updated and reviewed on a regular basis. The workplan was shaped by the Council's formal reporting structures and the timings of the meetings and agenda items were scheduled to reflect this. Any urgent or new developments would be added to the workplan accordingly.

Resolved:

That the proposed Audit Committee workplan, for 2022/2023, be noted.

11

UPDATE ON PAYROLL MATTERS

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management that provided Members with an update on Payroll issues, an area that had previously been identified as requiring action and improvement.

The submitted report summarised the findings of the most recent Interim Payroll Fundamental Financial Systems review, and progress against recommendations that had previously been made. The most recent review found that good progress has been made on several fronts. So much so that the latest audit review opinion was that system improvements and processes now in place were adequate to address most control risks faced by the service.

The Audit Review's findings represented a significant increase in assurance level as Members had been advised for several years that the audit opinion was either inadequate or weak and that the Council's payroll arrangements required considerable improvement and development. The Committee's report highlighted areas of improvement that had been made.

A Member referred to issues relating to the 'reconciliation between the payroll system and the ledger' as outlined at paragraph 3.3 of the Committee's report and was advised that this was an area that was being worked on and it was anticipated that improvements would be realised and presented in the next report.

Resolved:
That the report be noted.

12 **EXCLUSION OF THE 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 during consideration of the following two items of business on the grounds that they contain exempt information under paragraphs 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 **2022/23 INTERNAL AUDIT AND COUNTER FRAUD PLAN**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which provided Members with details of the proposed Internal Audit and Counter Fraud Plan for the 2022/2023 financial year.

The Committee's report summarised the work planned to be carried out by the Internal Audit team from 1st April 2022 to 31st March 2023. The plan has been compiled based on insight and information from several sources including the Council's: Annual Audit Needs Assessment; the Corporate Plan; the COVID Recovery Plan; the Strategic Risk Register; and Fraud and Loss risk assessment Information including intelligence obtained from senior officers, and the Section 151 Officer.

The plan continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2022/2023 audit of the financial accounts, and the requirements of the Section 151 Officer in the discharge of her responsibilities, with the addition, in 2022/2023, of a review of Children's Services FFS. The plan also focused audit resources on key themes identified in the Council's COVID Recovery Plan – which had been adopted by the Council in July 2021). some of the key issues and themes that were identified included: Investing in Quality Housing; Creating and protecting jobs and supporting businesses; Promoting Health and wellbeing and supporting the most vulnerable; Championing a green recovery; Prioritising Education, Skills and Early Years; and Driving Equality.



Resolved:

That the 2022/2023 Audit and Counter Fraud Plan, be approved.

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**UPDATE ON THE ANNUAL GOVERNANCE STATEMENT
FOR 2020/21 AND NEW ISSUES**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the progress being made to reduce the risk of issues arising for the Council to address, where matters have been identified as areas requiring improvement in terms of internal control within the Annual Governance Statement for 2020/2021. The report also sought to identify new risks which were considered appropriate for potential inclusion in the Annual Governance Statement, when it would be produced for the financial year 2021/2022.

The Council, as part of its Statement of Final Accounts, is obliged to produce an Annual Governance Statement. This should help to identify significant governance issues that the Council should consider at the financial year-end, to reduce its risk.

The report detailed issues that were reported in the 2020/2021 Annual Governance Statement and the actions taken, to date, in 2021/2022 to mitigate those risks. It also gave an opinion on the present risk at the production of the Annual Governance Statement based upon a Red/Amber/Green (RAG) rating. In addition, the report detailed new issues that may be considered for inclusion in the 2021/2022 Annual Governance Statement and as such gave an opinion regarding risks associated with the production of the Statement based upon a RAG rating.

Resolved:

That the report be noted.

The meeting started at 6.00pm and ended at 6.55pm