

**AUDIT COMMITTEE**  
**21/06/2022 at 6.00 pm**



**Present:** Councillor Islam (Vice-Chair, in the Chair)  
Councillors Ahmad, Alyas, C. Gloster, Salamat, Ball and Iqbal

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Assistant Director of Corporate Governance and Strategic Financial Management
Alastair Newall	Mazars External Auditors
Laila Chowdhury	Constitutional Services
Kaidy McCann	Constitutional Services
John Miller	Head of Audit and Counter Fraud

1           **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Arnott.

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           **2021/22 ANNUAL REPORT TO AUDIT COMMITTEE**

Consideration was given to a report of the Head of Audit and Counter Fraud which provided Members with the Annual Report for 2021/22 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 2021/22 contained the following sections:

- **Appendix 1:** Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2022, to assist the Committee's review of the 2021/22 Annual Governance Statement (AGS) and to assist with the future review of the Statement of Accounts.
- **Appendix 2:** Counter Fraud and Direct Payments Teams comparative data 2020/21 and 2021/22.

The Committee noted that the 2021/22 AGS was reported elsewhere on the agenda and it identified nine significant issues for the Council to mitigate its risks during 2022/23. 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 2021/22 was again a challenging year due to the on-going impact of the pandemic. In terms of the work of the Internal Audit Service, additional work was again undertaken to support the administration of business grants. Effort was however concentrated on ensuring the work on fundamental financial systems was prioritised.

The overall opinion of Oldham Council's Head of Internal Audit was that the overall system of Internal Control in Oldham Council was adequate. 2021/22 had been another challenging year and, overall, the Council had continued to work effectively 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 continued to present difficulties in some areas, in other areas there were welcome improvements, notably in connection with the new payroll system and subsequent "adequate" opinion in this area following many years of "inadequate" audit opinions. Going forward the priority was for improvements to be made in the areas identified in the Annual Governance Statement.

**RESOLVED** that the Annual Report presented by the head of Internal Audit and the continued developments in overall internal control and financial administration across the Council be noted.

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## **DRAFT 2021/22 ANNUAL STATEMENT OF ACCOUNTS**

Consideration was given to a report of the Director of Finance which presented the draft Statement of Accounts for 2021/22 for consideration.

The report highlighted:

- The overall revenue outturn position for 2021/22 was a surplus of £2.749m;
- The year-end variances that were attributable to each Portfolio;
- The level of Grants received in relation to the COVID-19 brought forward into and received during 2021/22;
- Schools balances at 31 March 2022 were £10.192m;
- The Dedicated Schools Grant (DSG) deficit was £2.773m and was held in an unusable reserve rather than being netted off the Schools balances (as was the accounting practice prior to 2020/21);
- The final Housing Revenue Account (HRA) balance was £21.719m;
- The balance on the Collection Fund was a deficit of £9.133m;
- The revenue account earmarked reserves at £99.228m, other earmarked reserves at £20.992m (Revenue Grant

Reserves of £10.731m plus School Balances as above) and an increase in the General Fund balance of £2.749m to £20.012m, reflective of the revenue outturn position;

- Expenditure on the Council's Capital Programme for 2021/22 was £76.989m against the revised Capital Programme in 2021/22, resulting in a variance of £38.280m compared to the projected outturn of £38.709m at month 9. Of the variance £32.333m was due to the required inclusion in the Council's asset register of the new Saddleworth School which was built and mostly funded by the Department of Education. The remaining variance of £5.948m was due to projects moving forward more quickly than anticipated towards the end of the year. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2021/22;
- The significant items in each of the primary financial statements;
- The preparation of Group Accounts incorporating the Council's three wholly owned companies – the Unity Partnership Ltd, MioCare Community Interest Company and the Meridian Group. The Meridian Group has been incorporated into the Council's Group Accounts for 2021/22, as the Council became the only shareholder during 2021/22; and
- The performance of the Finance Team in closing the accounts.

The presentation of the draft Statement of Accounts, in line with good practice, provided the Committee with the opportunity to review the Council's year-end financial position. The Council completed and issued its 2021/22 accounts to the External Auditor on 31 May 2022. For this year 2021/22, and as in previous years, Authorities must publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period commences. The Council published such a notice and advised that the public inspection period ran from 1 June 2022 to 14 July 2022. The audit of the accounts commenced on 6 June 2022 and was making good progress with all queries being promptly addressed. In order to facilitate the audit process, the Council made working papers available to the auditors at an early stage.

**RESOLVED** that the Council's draft Statement of Accounts for 2021/22 be noted . (for clarification 'noted' means approval).

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### **RESERVES POLICY FOR 2021/22 TO 2022/23**

Consideration was given to a report of the Director of Finance which presented to the Committee the proposed Reserves Policy of the Council for the financial years 2021/22 to 2022/23 and incorporate any views into the final policy.

The Council had developed a strategic approach to the creation and

maintenance of reserves through the development of a Reserves Policy and the presentation of the Policy to the Audit Committee. The aim was to improve the transparency of the level of and the use of reserves.



There had been several reports issued on Local Government Financial Resilience over the last few years and as a response the Chartered Institute of Public Finance and Accountancy released its Financial Resilience Index, most recently in January 2022. This Index placed an increased focus on the level of reserves held by Local Authorities and therefore its ability to be financially resilient. Over the past few years, a small number of Councils had issued notices under Section 114 of the Local Government Finance Act 1988 meaning they were not able to maintain a balanced financial position without the implementation of significant management action and that Government had appointed Commissioners to two Local Authorities in 2021/22.

The global pandemic had continued to have a significant impact on Local Government and the financial challenges faced by the Council meant a greater reliance would be placed on the availability of reserves.

The 2021/22 to 2022/23 reserves policy had been prepared, following the finalisation of the financial position at the end of 2021/22 and after a risk-based review by the Director of Finance having regard to Corporate Priorities. There were 12 major Earmarked Reserves included in the Policy to align to the presentation of reserves at Note 15 in the Statement of Accounts attached at Appendix 1. As shown in the Appendix and in the Statement of Accounts, the accounts were closed with a balance of Earmarked Reserves of £99.228m (a reduction of £14.284m compared to 2020/21), Revenue Grant Reserves of £10.731m (a reduction of £9.415m) and Schools Reserve of £10.192m (an increase of £0.886m). In total, reserves were £120.150m, an overall decrease of £22.814m.

The level of reserves held at the end of 2021/22, which were detailed within the reserves policy were deemed sufficient to ensure the Council's financial resilience for 2022/23. Members noted that there was an immediate call on Earmarked Reserves at the start of the year to reflect the use of reserves to balance the budget for 2022/23 of £20.686m (21%) which left a balance of £78.542m. This was comprised of £11.879m of General and Specific Reserves and £8.807m of reserves to support a technical budget adjustment arising from the introduction of Business Rate Reliefs after the 2021/22 budget had been set. In addition, a further £6.000m was to be used to support the revenue budget in 2023/24 with £3.932m being used to support 2024/25, this would leave a remaining balance of £68.609m available for use. As advised in the Policy, there were plans to use other reserves to support corporate initiatives.

**RESOLVED** that the Reserves Policy for 2021/22 to 2022/23 be noted.



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## **TREASURY MANAGEMENT REVIEW 2021/22**

Consideration was given to a report of the Director of Finance which provided the Committee with the annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. 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 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (approved by Council on 4 March 2021)
- A mid-year (minimum) treasury update report (approved by Council on 15 December 2021)
- An annual review following the end of the year describing the activity compared to the strategy (this report)

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 highlights 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 2021/22).

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 greater than the revised budget estimate for 2021/22 presented within the 2022/23 Treasury Management Strategy report considered at the Council meeting of 2 March 2022. The outturn position was significantly less than the £86.002m original capital budget for 2021/22 as approved at Budget Council on 4 March 2021.

Oldham, along with the rest of the country, was impacted by the COVID-19 pandemic during 2021/22 but as the year progressed, began to get back to some form of normality. This was reflected in the progress in taking forward the Council's capital programme and hence the expenditure incurred, most of which was over the later part of the financial year. As the pandemic was still on-going, there would be further challenges during 2022/23 but these were expected to be on a much lesser

scale. The capital programme would therefore be subject to change, but this would be subject to close financial monitoring during the financial year.



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

The Director of Finance confirmed that the statutory borrowing limit (the authorised limit) was not breached during 2021/22.

The Committee noted that the financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns, although there was an upward movement towards the year-end reflecting inflationary price rises and increases in interest rates.

**RESOLVED** that:

1. The actual 2021/22 prudential and treasury indicators presented in the report be approved.
2. The annual treasury management report for 2021/22 be approved.
3. The report to commended Cabinet.

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## **ANNUAL GOVERNANCE STATEMENT FOR 2021/22**

Consideration was given to a report Assistant Director of Corporate Governance and Strategic Financial Management which provided the Committee with an update on the draft Annual Governance Statement for the financial year 2021/22.

The Committee noted the report supported the draft Statement of Accounts which were considered at item 6 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 the financial year 2020/21 and identifying new issues that required consideration. This had informed the production of the Draft Annual Governance Statement for 2021/22 attached at Appendix 1 to the report.

The 2020/21 Annual Governance Statement (AGS) previously reported to the Committee identified a total of ten issues for the Council to monitor in the financial year 2021/22 as to 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 of systems in Adult Social Care. Both matters have been long term issues for the Council to address.



The Committee was informed in respect of the Payroll Service, it had been confirmed the improvements in administration reported to the Committee on 10 March 2022 which in part were linked into the implementation of the new i-Trent system, were maintained. The overall opinion on the control environment at 31 March 2022 had now improved to adequate from inadequate.



Members were informed that, out of the ten issues identified in the 2020/21 ASG, it had been possible to remove two from the 2021/22 draft AGS. There were:

- The deficit on the centrally retained proportion of the Dedicated Schools Grant.- The financial position during 2021/22 showed a small improvement (as set out in the Improvement Plan and the annual accounts) and using the current projections for the financial year 2022/23 it was estimated that the reported deficit would be negligible at that year-end before returning to a surplus in the financial year 2023/34.
- The financial resilience of key partners which have been affected during the pandemic. - during 2021/22 the position had improved and therefore this no longer needed to be considered as an issue for the 2021/22 draft AGS.

Pre COVID it was planned that 2020/21 would be the year Local Authorities implemented the Financial Management Code. In practice 2021/22 became the implementation year due to the impact of the pandemic. The Council completed the self-assessment (reported to this Committee on 17 January 2022) which identified the Council was compliant with the requirements set out in the Code during the financial year 2021/22.

**RESOLVED** that the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2021/22 be noted.

The meeting started at 6.00 pm and ended at 7.59 pm