

AUDIT COMMITTEE
21/07/2022 at 6.00 pm



Present: Councillor Islam (Vice Chair in the Chair)
Councillors Ahmad, Arnott, Ball, C. Gloster, and Iqbal

Also in Attendance:

A. Ryans – Director of Finance

M. Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

J. Miller – Head of Audit and Counter Fraud

L. Walsh – Finance Manager (Capital and Treasury)

A. Newall – Mazars LLP (external auditors)

P. Thompson – Constitutional Services

One member of the public

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Alyas 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 OF PREVIOUS MEETINGS**

Resolved:

That the minutes of the meetings of the Audit Committee held on 9th June 2022 and on 21st June 2022, be approved as correct records.

6 **2021/22 ANNUAL STATEMENT OF ACCOUNTS**

The Audit Committee received a report of the Director of Finance that presented an update on the current position regarding the audit and approval of the 2021/22 Statement of Accounts. The report presented an update on the Council's Statement of Accounts for the financial year 2021/22 and highlighted the current position of the external audit by Mazars LLP. The report also confirmed the revised audit deadline for 2022/23 as 30th November 2022 and provided an update on the CIFPA Consultation on Infrastructure Assets.

The Council was required to prepare a Statement of Accounts for each financial year in accordance with statutory timelines and accounting practices. The accounts were subject to scrutiny and approval by the Council's Audit Committee.

The Council had submitted its draft financial statements to the External Auditors, Mazars LLP, on 31st May 2022. For 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 1st June 2022 to 14th July 2022. No questions or challenges had been received during the inspection period.

In line with good practice, the draft Statement of Accounts had been issued to members of the Audit Committee. The presentation of the draft Statement of Accounts provided Audit Committee Members with the opportunity to review the Council's year-end financial position before they were required to formally approve the accounts. The Statement of Accounts was presented, with a covering report outlining key issues, to the Audit Committee at its meeting of 21st June 2022. This gave members of the Audit Committee the opportunity to consider the key issues and ask officers and the representative of the External Auditor any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee.

The Committee were informed that the audit process cannot be fully finalised until all the value for money work is finalised and the Whole of Government Accounts (WGA) audit is completed. The WGA audit, it was explained, could not be undertaken yet and was programmed for later in the year.

Regarding the holdup to the WGA process, this was due to a delay by HM Treasury in issuing the WGA Toolkit for 2020/21. This meant that the Council had not been able to prepare its WGA and the External Auditor had not been able to finalise the audit of the accounts for the financial year 2020/21. The Council was to submit its WGA for 2020/21, in line with the updated deadline of 31st July 2022. Until the audit of the WGA is completed, the 2020/21 audit therefore remained open. Once the 2020/21 audit process was formally completed, the Council would advertise the outcome.

Following the conclusion of the audit of the 2021/22 Statement of Accounts, the production of the VFM opinion and WGA audit work, the Council will advertise the completion of the 2021/22 audit process on its website and update Members of the Audit Committee. The timeline for this will be subject to the outcome of the consultation of the accounting arrangements for Infrastructure Assets (which is a national issue impacting on every Local Authority).

Resolved:

1. That the report be noted.
2. The committee notes the reasons why the 2020/21 Whole of Government Accounts process is not complete and cannot therefore yet be signed-off.

EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report that had been prepared by the Council's external auditors, Mazars LLP, which provided members with an update on the progress in delivering their responsibilities as the authority's external auditors.



As referred to at Minute 6, above, the external auditor explained that their final remaining responsibility in respect of the 2020/21 financial year related to the Council's Whole of Government Accounts (WGA) return. In May 2022 HM Treasury issued their guidance for councils, and this concluded that they would only require audits of WGA returns for those councils with Income, Expenditure, Assets or Liabilities above £2bn. The National Audit Office (NAO) was in the process of drafting their WGA group audit instructions, and there remained a possibility that those instructions may require the auditors to carry out some work on the council's WGA return. Once the NAO has issued their group instructions, they would liaise with officers to complete any required testing.

In addition, before issuing their certificate to close the 2020/21 audit, they would consider whether there were any matters arising since they issued their audit opinion on the financial statements that may impact on their opinion. In this regard they should consider the Council's response to the forthcoming resolution to the national technical issue on accounting for infrastructure assets.

The Committee were informed that during February and March 2022 Mazars LLP had completed their initial planning work, and early testing for the 2021/22 audit. They had presented their Audit Strategy Memorandum to the Audit Committee's meeting on 10th March 2022, setting out the audit risks which had been identified in respect of the 2021/22 financial statements. There had been no significant change to the risk assessment since issuing their Audit Strategy Memorandum. Mazars had received the Council's draft financial statements and annual governance statement on 31st May 2022, in line with the timetable agreed with officers.

The external auditor explained that their fieldwork visits had commenced in June 2022 and were due to continue until mid-August. They planned to report their findings from their audit to the Audit Committee's meeting, scheduled to be held on 8th September 2022. However, this would be subject to the resolution of the national technical issue in respect of accounting for infrastructure assets. The external auditors also intended to present their commentary on the Council's value for money arrangements at the Audit Committee's meeting on 8th September 2022. Although their work on value for money was not yet complete, they had not identified any risks of significant weakness to draw to the Council's attention thus far.

Resolved:



That the report be noted.

8

REVIEW OF THE SYSTEM OF INTERNAL AUDIT BY THE AUDIT COMMITTEE

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management that updated Members regarding the 2021/22 internal assessment of the system for Internal Audit within the Council. The financial year 2021/22 had been a challenging year for the system of Internal Audit within Oldham Council due to resources being diverted to administrative activity to respond to the Covid-19 pandemic. The 2021/22 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concluded that the overall service was good. The Scorecard has assessed the following matters as Amber/ Red.

Scorecard 2.8: Corporate Initiatives and Monitoring: This had been assessed as Amber/Red and related to Adult Social Care having an inadequate opinion; a reflection of the on-going challenges within the Adult Social Care Service around improving the audit opinion on this Fundamental Financial System, which has been included in the Annual Report by the Chief Internal Auditor, that had been submitted to this Committee's meeting on 21st June 2022.

Scorecard 2.9: Compliance within Council on Procedure Rules: This related to an issue highlighted in the 2021/22 Annual Governance Statement whereby some relationships with suppliers required improved documentation.

Some of the issues reported in the Balanced Scorecard were wider internal control issues rather than specific to the System of Internal Audit. However, it was proposed to keep this reporting methodology, as it represented a pragmatic way to provide an overview of the overall control environment of the Council supported by professional best practice.

Resolved:

The Committee notes the self-assessment provided by the Assistant Director of Corporate Governance and Strategic Financial Management that the overall system of Internal Audit had been fit for purpose in 2021/22.

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PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2022/23

The Committee received a copy of the proposed Audit Committee's Work Programme for 2022/23.

Resolved:

That the proposed Audit Committee's Work Programme for 2022/23 be noted.

10

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 for the following two items of business on the grounds that they contain exempt information 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.

11

PARTNERSHIP RISK DASHBOARD

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which further to previous reports submitted on this matter in the last two years highlighted the potential risks to the Council from poor supervision of companies/partnerships of which it has ownership. It also advised how governance oversight elsewhere (including that of the Audit Committee at several Councils), had failed to identify this risk resulting in significant financial loss. Whilst the report did not highlight any immediate areas of concern for Oldham, this Committee therefore requested the Assistant Director of Corporate Governance and Strategic Financial Management prepare a report for its consideration at least every six months, which presents the potential risks to the Council from the partnerships in which it has an interest. The submitted report updated the report that had previously been presented to the Audit Committee on 2nd November 2021.

In considering the report, a member referred to paragraph 1.2 of the confidential report regarding 'losses that were emerging at a housing company that had been established by a London Borough Council, as work to exit from past commitments continued. In this regard the Assistant Director of Corporate Governance and Strategic Financial Management, reported that whilst this was not an issue for Oldham Council at present, he undertook to submit a report to a future meeting of the Committee on the associated risks of establishing a housing company.

A member referred to the financial management risks associated with partnerships that the Council is engaged with, particularly Northern Roots. The Assistant Director of Corporate Governance and Strategic Financial Management undertook to present a report on this matter to the Committee's next scheduled meeting on 8th September 2022.

Resolved:

1. That the report be noted.
2. The Assistant Director of Corporate Governance and Strategic Financial Management be requested to submit a report to the Committee's next scheduled meeting, on 8th September 2022, regarding the control of financial management risks associated with partnerships that the Council is engaged with, particularly Northern Roots.
3. That the Assistant Director of Corporate Governance and Strategic Financial Management be requested to submit a report to a future meeting of the Committee regarding

the various risks associated with the establishment of a housing company.

12

UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2021/22

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management that updated members on the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the draft Annual Governance Statement for 2021/22.

Resolved:
that the report be noted.

The meeting started at 6.00pm and ended at 7.15pm.

