

AUDIT COMMITTEE Regulatory Committee Agenda

Date Thursday 21st July 2022

Time 6.00pm

Venue Crompton Suite, Civic Centre, West Street, Oldham, OL1 1NL

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or the Constitutional Services team in advance of the meeting.
 2. CONTACT OFFICER for this Agenda is Peter Thompson, Tel. 0161 770 5151 or email peter.thompson@oldham.gov.uk
 3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12.00 Noon on Monday, 18th July 2022.
 4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

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Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:
Councillors Ahmad, Alyas, C. Gloster, Islam, Salamat, Arnott, Ball, Hulme and Iqbal

- 1 Apologies For Absence
- 2 Urgent Business
Urgent business, if any, introduced by the Chair
- 3 Declarations of Interest
To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.
- 4 Public Question Time
To receive Questions from the Public, in accordance with the Council's Constitution.
- 5 Minutes of Previous Meetings (Pages 1 - 14)
The Minutes of the meetings held on 9th June and 21st June 2022 are attached for approval.
- 6 2021/22 Annual Statement of Accounts (Pages 15 - 20)
- 7 External Audit Progress Report (Pages 21 - 34)
- 8 Review of the System of Internal Audit by the Audit Committee (Pages 35 - 42)
- 9 Proposed Audit Committee Work Programme for 2022/23 (Pages 43 - 48)
- 10 Exclusion of the Press and Public
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 items of business on the grounds that they contain exempt information under paragraph(s) 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 (Pages 49 - 62)
- 12 Update on the Annual Governance Statement for 2021/22 (Pages 63 - 76)

AUDIT COMMITTEE
09/06/2022 at 6.00 pm

Present: Councillors Alyas, Islam, Salamat, Arnott, Ball 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)
- V. Gallacher (Risk and Insurance Service)
- A. Newall (Mazars – External Auditors)
- P. Thompson (Constitutional Services)

1 **APPOINTMENT OF VICE CHAIR**

RESOLVED – That Councillor Islam be appointed Vice Chair of the Audit Committee for the 2022/23 Municipal Year.
(Councillor Islam Vice Chair in the Chair)

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Ahmad and Chris Gloster.

3 **URGENT BUSINESS**

There were no items of urgent business for this meeting of the Committee to consider.

4 **DECLARATIONS OF INTEREST**

There were no declarations of interests.

5 **PUBLIC QUESTION TIME**

There were no questions submitted by members of the public.

6 **MINUTES**

RESOLVED

That the Minutes of the meeting of the Audit Committee held 10th March 2022 be approved as a correct record.

7 **SIRO ANNUAL REPORT 2021/22**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members on information security breaches, risk issues/actions.

The submitted report was the annual report of the Senior Information Risk Owner (SIRO) to the Audit Committee highlighting Information Security Incidents and related matters which have occurred throughout 2021/22.

The position of SIRO, within Oldham Council was held by Anne Ryans, Director of Finance with Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management acting as Deputy SIRO. The SIRO responsibilities extend to cover the Mid-Care Group Community Interest

Community and the Unity Partnership Ltd (during 2021/22) under the service level agreements in place with the Council's Information Management Team. Operational day to day responsibilities for the management and reporting of information risk, and information security breaches, rests with the Information Management Team.

The Committee was informed that there were 80 information security incidents reported during 2021/22, compared to 68 during 2020/21. It was thought likely that number of incidents in 2020/21 were reduced due to the coronavirus pandemic as during 2019/20 there were 103 incidents. Specific incidents that occurred during both 2020/21 and 2021/22 were summarised in a table attached at Appendix 1 to the report.

The Committee was informed that Caldicott Guardian is a senior role in an organisation which processes health and social care personal data. The duty of the Guardian is to ensure that personal data is used legally, ethically and appropriately, and that confidentiality is maintained. The Council currently has two Caldicott Guardians - one for Children's Services and one for Community Health and Adult Social Care.

The Information Management Team has worked with both Caldicott Guardian's to raise awareness, provide training, and issue key messages to staff. Furthermore, the Information Management Team and the Children's Caldicott Guardian analysed trends across the four incidents and issued specific guidance to staff relating to how to minimise the risk of information being disclosed in error or shared inappropriately due to redaction issues.

Members were reminded that cyber-criminals continue to be an increased risk particularly around sending 'phishing' emails with the aim of getting users to click on a malicious link. It is important therefore to remember that a single malicious link could lead to a successful attack, which could in turn compromise the IT network and put all information at risk. Reminders have been sent to all employees and Councillors requesting completion of the Council's interactive Mandatory Cyber Security training course. Cyber awareness guidance has also been added to the Council intranet and circulated to all staff. To further reduce risk, further work is being carried out to heighten awareness of phishing emails.

Cyber criminals often target employees of organisations in order gain unauthorised access, infiltrate the network and compromise data, Local Authorities are popular targets. To reduce the risk, the Council successfully changed its policy on password complexity to align with the recommendations of the National Cyber Security Centre (NCSC). External independent validation has shown an improvement in the Council's password posture.

All software, including device operating systems, will eventually become out of date. The products which no longer

receive security updates and where the latest security mitigations are not present make high impact incidents more likely. Work is being undertaken across the Information Management Team and IT to implement a policy and system to reduce the likelihood and impact of compromise of legacy systems In line with NCSC recommendations.

RESOLVED

That the report be noted.

8

AUDIT OF HOUSING BENEFIT SUBSIDY 2020/21

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management which detailed the outcome of an external audit of the Housing Benefit Subsidy claim form for the financial year 2020/21.

The audit of the Housing Benefit Subsidy Claim was undertaken by KPMG LLP and the report and its appendix detailed the findings of that audit. Overall, the report was positive and did not detail any findings which impacted on the subsidy claim. Where there were errors identified as detailed in Appendix A of Annex 1, they were minor and not material.

RESOLVED

That the report be noted.

9

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE MANAGEMENT PROCESSES AND ARRANGEMENTS

The Committee was informed that for the Council's External Auditor, Mazars LLP, to be enabled to carry out their 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 were required to comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require that the auditor 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 are made in part to corroborate the responses to the inquiries of management. Mazars LLP had 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 attachment to the submitted (Annex 1).

As part of this process, Mazars asked that the Council's Director of Finance provides response to the following questions:

- a. What processes are in place at the Council to undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error

(including the nature, extent and frequency of these assessments)?

- b. What processes are in place to identify and respond to risks of fraud?
- c. What processes are in place to communicate to employees the Council's views on business practice and ethical behaviour
- d. What processes are in place to communicate to the Audit Committee measures for identifying and responding to fraud or error?
- e. How does the Council's management gain assurance that all relevant laws and regulations have been complied with and have there been any instances of non-compliance during 2021/22?
- f. Are there any actual or potential litigation or claims that would affect the financial statements?
- g. What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?

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

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AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE MANAGEMENT PROCESSES 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 2021/22 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 2022.

RESOLVED

That the report be noted.

11

LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered a report of the Director of Finance that proposed a refreshed Local Code of Corporate Governance for Oldham Council.

The Council was required to produce a Local Code of Corporate Governance, which would be subject to review every two years or when there had been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed on 20th January 2020. A refreshed Local Code of Corporate Governance was presented for review at Appendix 1, of the submitted report.

The main body of the Code was structured around the seven key principles of the revised CIPFA/SOLACE publication: 'Delivering Good Governance in Local Government' and was designed to reflect the assurance gathering process for the Annual Governance Statement which is produced to support the Statement of Accounts. Each commitment covered a particular area of the Council's responsibilities in terms of corporate governance. The seven principles were: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law; Ensuring openness and comprehensive stakeholder engagement; Defining outcomes in terms of sustainable economic, social and environmental benefits; Determining the interventions necessary to optimise the achievement of the intended outcome; Developing the entity's capacity including the capability of its leadership and the individuals within it; Managing risks and performance through robust internal control and strong public financial management; Implementing good practices in transparency, reporting and audit to deliver effective accountability.

RESOLVED

That the Audit Committee accepts and notes the refreshed Local Code of Corporate Governance for Oldham Council, as set out at Appendix 1 of the submitted report.

12

INTERNAL AUDIT CHARTER 2022/23

The Committee considered a report of the Head of Internal Audit which advised Members of the proposed Internal Audit Charter for 2022/23.

The work of Oldham Council's Internal Audit team has been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1st April 2013 (updated in March 2017). The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards were mandatory for all Internal Auditors working in the UK public sector.

The 2022/23 Internal Audit Charter was attached at Appendix 1 to the submitted report.

RESOLVED

That the Audit Committee approves the 2022/23 Internal Audit Charter, with effect from 1st April 2022.

13

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT

The Committee considered a report of the Head of Audit and Counter Fraud which provided Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2021/22 financial year.

The report summarised the work carried out by the team from 1st April 2021 to 31st March 2022. In the final Quarter of the year (January – March 2022) the team continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts. Interim FFS reports were issued, and work commenced on the final stage reviews, with final reports being issued in the first quarter of 2022/23.

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

- Continued support in respect of COVID-19 grant funding regimes, including responding to central government requests for supporting information in respect of grants paid.
- Compilation of the Annual Audit Report and Opinion and other reports for this Committee.
- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £408,478 and £2,978,029 for the year to 31st March 2022.

RESOLVED

That the Internal Audit and Counter Fraud progress report be noted.

The meeting started at 6.00pm and ended at 6.55pm

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.

6

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.

7

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.



Oldham
Council

8

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.

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.

9

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

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Report to Audit Committee

2021/22 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Ext. 6608

21 July 2022

Reason for Decision

The Audit Committee is charged with scrutiny and approval of the Statement of Accounts. This report presents an update on the current position regarding the audit and approval of the 2021/22 Statement of Accounts.

Executive Summary

The report presents an update on the Council's Statement of Accounts for the financial year 2021/22.

The report highlights the current position of the external audit by Mazars LLP, confirmation of the audit deadline for 2022/23 as 30 November 2022 and an update on the CIFPA Consultation on Infrastructure Assets.

Recommendations

That members of the Audit Committee note the update on the external audit of the Council's Statement of Accounts for 2021/22.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year in accordance with statutory timelines and accounting practices. The accounts are subject to scrutiny and approval by the Council's Audit Committee.
- 1.2 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 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 runs from 1 June 2022 to 14 July 2022.
- 1.3 In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. The presentation of the draft Statement of Accounts provides Audit Committee Members with the opportunity to review the Council's year-end financial position before they are 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 21 June 2022. This gave members of the Audit Committee the opportunity to consider the key issues and ask officers and the External Auditor any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee.
- 1.4 The legislation requires that following the conclusion of a 30-working day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee. This meeting of the Audit Committee has been arranged to provide and update as to the latest position.
- 1.5 At the last meeting of the Committee, Members were also advised that a consultation process regarding the deadline for the audit of accounts had recently concluded and its response was awaited. Members were also advised that It was intended that secondary legislation would be introduced which was expected to extend the deadline for the publication of Local Authority audited accounts for 2021/22 to 30 November 2022. In response to the consultation, the Accounts and Audit (Amendment) Regulations 2022 were laid before Parliament on 30 June 2022 and will come into force on 22 July 2022.

2 Current Position

- 2.1 As advised above, the Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which is within the statutory deadline and was the Council's internal deadline as agreed with the External Auditor. The public inspection period began on 1 June 2022 and will conclude on 14 July 2022.
- 2.2 The audit of the accounts commenced on 6 June 2022 and is 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 and as part of the Council's interim Audit during the financial year.
- 2.3 The Council prepares its Statement of Accounts in line with the CIPFA Code of Practice. For 2021/22 there have been no major changes to the original Code. However, as reported at the Audit Committee on 21 June 2022, there was an emergency consultation issued on the accounting practice for Infrastructure Assets. The Council responded to the consultation which concluded on 14 June 2022.

-
- 2.4 At the time of writing this report, the outcome of the consultation has not been announced and the precise impact cannot be assessed. However, any changes required will impact on both the 2020/21 and 2021/22 accounts, both of which will then need to be restated. The restatement will be technical in nature. It must be noted that any delays in the outcome of the consultation may delay the conclusion of the audit of the Council's Statement of Accounts for 2021/22.
- 2.5 Mazars LLP cannot complete work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2022. This work is scheduled to be completed later in the audit and the Audit Committee will be updated as to progress at a meeting later in the year.
- 2.6 It is important to note that the audit process cannot be fully finalised until all the VFM work is finalised and the Whole of Government Accounts (WGA) audit is completed. The WGA audit cannot be undertaken yet and is programmed for later in the year.
- 2.7 With regard to the WGA, due to a delay by HM Treasury in issuing the WGA Toolkit for 2020/21, neither the Council nor the External Auditor have been able to finalise the audit of the accounts for the financial year 2020/21. The Council will submit its WGA for 2020/21 in line with the updated deadline of 31 July 2022. Until the audit of the WGA is completed, the 2020/21 audit remains open. Once the 2020/21 audit process is completed, the Council will advertise the conclusion of the 2020/21 audit process.
- 2.8 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.
- 2.9 Given that the 2020/21 audit has not yet been completely finalised and that the accounting arrangements for Infrastructure Assets issue are still uncertain, then the finalisation of the 2021/22 audit may take some time.
- 2.10 As advised above, the Accounts and Audit (Amendment) Regulations 2022 were laid before Parliament on 30 June 2022 and will come into force on 22 July 2022. The 2022 (Amendment) Regulations change the deadline for publishing audited Local Authority accounts and were made in response to the Redmond Review's findings about the fragility of the local audit market. For 2021/22, the deadline for the publication of Local Authority audited accounts is extended from 30 September to 30 November 2022. Following this, and to provide certainty for the next contract period under the procurement arrangements being managed by Public Sector Audit Appointments (PSAA), the deadline will revert to 30 September for 6 years, until the end of the next appointing period.
- 2.11 The change will take effect for the 2022/23 accounts and end once the 2027/28 accounts have been completed. The deadline will then be reviewed, with the hope being that the backlog of Audits will be completed, and the capacity issues fully addressed.

3 Options/Alternatives

- 3.1 The Audit Committee members can either choose to note the update on 2021/22 Statement of Accounts or not to do so. There are no other alternatives.

4 Preferred Option

- 4.1 The preferred option is that Audit Committee members note the update of the 2021/22 Statement of Accounts.

5 Consultation

5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-working day public inspection period which will conclude on 14 July 2022.

5.2 The draft Statement of Accounts for the financial year 2021/22 was presented to the Audit Committee meeting of 21 June 2022 which was a key element of the consultation process. All questions and issues raised by Members were answered to the satisfaction of the Audit Committee.

5.3 Formal presentation of the accounts to Members of the Audit Committee will take place at a future meeting once the outcome and implications of the Infrastructure Asset consultation is known. This will allow the opportunity for a further review and scrutiny prior to the approval of the accounts.

6 Financial Implications

6.1 Dealt with in the body of the report.

7 Legal Services Comments

7.1 There are no Legal implications.

8 Co-operative Agenda

8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

9 Human Resources Comments

9.1 There are no Human Resource implications.

10 Risk Assessments

10.1 There are no risk implications as a result of this report.

11 IT Implications

11.1 There are no IT implications as a result of this report.

12 Property Implications

12.1 There are no Property implications.

13 Procurement Implications

13.1 There are no Procurement implications.

14 Environmental and Health and Safety Implications

14.1 There are no Environmental and Health & Safety implications as a result of this report.

15 Equality, Community Cohesion and Crime implications

15.1 There are no Equality, community cohesion and crime implications.

16 Equality Impact Assessment Completed?

16.1 Not Applicable

17 Key Decision

17.1 No

18 Key Decision Reference

18.1 Not Applicable.

19 Background Papers

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Audit Committee meeting papers – 21 June 2021
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8596&Ver=4>

Officer Name: Lee Walsh
Contact: lee.walsh@oldham.gov.uk

20 Appendices

20.1 There are no Appendices.

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Report to Audit Committee

External Audit Progress Report

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance/ Mazars LLP

Report Author: Mark Stenson, Head of Corporate Governance / Mazars LLP

Ext. 4783

21 July 2022

Reason for Decision

To present to the Audit Committee, the Audit Progress Report for July 2022 (attached at Appendix One) produced by our external auditor Mazars LLP.

Executive Summary

The report presents to the Council the key information that the external auditor feels appropriate to bring to your attention.

Recommendation

It is recommended that the Audit Committee notes the Audit Progress Report.

Appendix 1

Audit Progress Report

Oldham Metropolitan Borough Council

Page 22
July 2022



1. Audit Progress
2. National Publications

Page 23

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Council's whole of government accounts (WGA) return. In May 2022 HM Treasury issued their guidance for councils, and it is 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) is in the process of drafting their WGA group audit instructions, and there remains a possibility that those instructions may require us to carry out some work on your WGA return. Once the NAO has issued their group instructions, we will liaise with officers to complete any required testing.

In addition, before we issue our certificate to close the 2020/21 audit, we consider whether there are any matters arising since we issued our audit opinion on the financial statements that impact on our opinion. In this regard we will need to consider the Council's response to the forthcoming resolution to the national technical issue on accounting for infrastructure assets, which is highlighted in more detail on page 7.

2021/22 audit

During February and March 2022 we completed our initial planning work, and early testing for the 2021/22 audit. We presented our Audit Strategy Memorandum to the March Audit Committee meeting, setting out the audit risks we identified in respect of the 2021/22 financial statements. There has been no significant change to our risk assessment since issuing our Audit Strategy Memorandum.

We received the Council's draft financial statements and annual governance statement on 31 May 2022, in line with the timetable agreed with officers. Our fieldwork visit commenced in June 2022, and is due to continue until mid-August. We plan to report the findings from our audit to the September Audit Committee meeting. However, this is subject to the resolution of the national technical issue in respect of accounting for infrastructure assets. Further information on this issue is included on page 7 of this report.

We plan to present our commentary on the Council's value for money arrangements at the September 2022 Audit Committee meeting. Although our work on value for money is not yet complete, we have not identified any risks of significant weakness to draw to your attention at this stage.

02

Section 02: **National Publications**

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
2	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
3	Local Authority Controlled Companies: a good practice guide	A good practice guide due to be published in May 2022; highlighted for potential interest to Committee Members, noting the full guide needs to be purchased.
Department for Levelling Up, Housing and Communities		
4	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
National Audit Office (NAO)		
5	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Public Sector Audit Appointments Ltd		
6	Annual Quality Monitoring Report 2019/20	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

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NATIONAL PUBLICATIONS

CIPFA

1. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The issue of accounting for infrastructure assets is a technical accounting one, and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns have been raised that some authorities are not applying component accounting requirements appropriately. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at 'current value'. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals closed on 14 June 2022.

The temporary proposals address the above issue regarding the derecognition of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

<https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets>

NATIONAL PUBLICATIONS

CIPFA

2. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

3. CIPFA Local Authority Controlled Companies: a good practice guide, May 2022

In recent years, the potential risk associated with local authority trading companies and joint ventures has increased. Nothing is risk free, but it is important to learn lessons from others and access support.

This guide aims to assist local authorities by setting out and highlighting existing best practice. It focuses on identifying organisational goals, the process to find the right option to achieve that goal and how to structure the organisation for success.

<https://www.cipfa.org/policy-and-guidance/publications//local-authority-owned-companies-a-good-practice-guide>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

4. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

National Audit Office

5. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

6. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psaa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

Contact

Mazars

Partner: Karen Murray

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Senior Manager: Alastair Newall

Mobile: 07909 986776

Email: alastair.newall@mazars.co.uk

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Report to Audit Committee

Review of the System of Internal Audit by the Audit Committee

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

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

21 July 2022

Reason for Decision

To update Members of the Audit Committee following the 2021/22 internal assessment of the system for Internal Audit within the Council.

Executive Summary

The financial year 2021/22 was another challenging year for the system of Internal Audit within Oldham Council due to resources being diverted (albeit not at the level in 2020/21) to administrative activity to respond to the pandemic.

The 2021/22 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concludes that the overall service is good.

The Scorecard has assessed the following matters as Amber/ Red:

Corporate Initiatives and Monitoring

- Scorecard 2.8: Corporate Initiatives and Monitoring: This is assessed as Amber/ Red and relates to Adult Social Care having an adequate opinion, which reflects 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 submitted to the 21 June 2021 Committee meeting.

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

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

Recommendation

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

Review of the System of Internal Audit by the Audit Committee

1 Background

- 1.1 The Accounts and Audit Regulations and Public Sector Internal Audit Standards clarify that the body charged with governance, which for Oldham Council is the Audit Committee, should undertake an annual review of the effectiveness of its system of Internal Audit.
- 1.2 As in previous years, the Assistant Director of Corporate Governance and Strategic Financial Management has submitted a report to this Audit Committee based on the review of the Internal Audit services against criteria set out in the “Balanced Scorecard” methodology. The Assistant Director of Corporate Governance and Strategic Financial Management bases this internal assessment on the criteria set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 This report sets out the findings from the internal self-assessment by the Assistant Director of Corporate Governance and Strategic Financial Management.

2. Current Position – Internal Assessment

- 2.1 **Appendix 1** details the internal self-assessment for 2021/22 undertaken by the Assistant Director of Corporate Governance and Strategic Financial Management, the conclusions of which are reported using the Balanced Scorecard.
- 2.2 The Balanced Scorecard has been developed to give this Committee assurance on a number of matters, and that the service supervised by the Assistant Director of Corporate Governance and Strategic Financial Management is operating effectively.
- 2.3 The Team's performance against the following key criteria is:
 - **Internal Audit (Scorecard Section 1):** In line with the CIPFA external assessment, the performance of the system for Internal Audit is assessed as “green”. The team continues to work in professional collaboration with key service managers where additional support is required and has also provided proactive professional advice where required. Three areas are assessed as Amber/Green:
 - Liaison with Directorates is planned to improve during 2022/23.
 - The completion of the Internal Audit Plan 2021/22. Due to the pandemic and demand pressure faced by the service, the full progress of completing the plan was limited albeit less than the previous year.
 - Further development of the use of ICT within the service to support continuing improvement.
 - **Corporate Initiatives and Monitoring (Scorecard Section 2):** The overall assessment is Amber/Green. Improvements were made during the financial year 2021/22 which included an improvement in payroll administration. There are two items assessed as Amber/Red:
 - Adult Social Care systems, which reflects the on-going challenges around improving the audit opinion on Adult Social Care Fundamental Financial Systems, which have been reported to this Committee several times.

-
- The issue of contract management which has been highlighted as an issue since the 2019/20 Annual Governance Statement.

The overall assessment of Amber/Green for the control environment reflects the need to improve overall Adult Social Care fundamental systems opinion.

- **Risk Management and Insurance (Scorecard Section 3):** The overall assessment is green, and improvements were made during the financial year which included embedding the Risk Management Framework and Strategy.
- **Counter Fraud and Staffing Issues (Scorecard Section 4):** Overall the skills of the team are assessed as green and demonstrate effectiveness. These skills have continued to develop in 2021/22. In line with the CIPFA assessment, the team operates in line with PSIAS. There are two items classed as Amber/Green:
 - The Transparency Agenda, which is an issue identified in the Annual Governance Statement with the risk of potential fraud increasing. Whilst the approach adopted by the Council minimises its risks, the publication of payment data exposes all local authorities to the risk of fraud.
 - Developing training which is a pro-active issue requiring development which it has not been possible to progress as promptly as planned due to the pandemic.

3 Conclusions

- 3.1 Following the updated 2021/22 internal assessment by the Assistant Director of Corporate Governance and Strategic Financial Management, the overall system of Internal Audit remains good in 2021/22. Firm plans are in place to continue this progress in 2022/23.

4 Options/Alternatives

- 4.1 The Audit Committee consider this report.
- 4.2 The Audit Committee suggests an alternative internal assessment methodology.

5 Preferred Option

- 5.1 The preferred option is that the Audit Committee accepts and notes the Review of the System of Internal Audit.

6 Consultation

- 6.1 N/A.

7 Financial Implications

- 7.1 N/A.

8 Legal Services Comments

- 8.1 N/A.

9	Cooperative Agenda
9.1	N/A.
10	Human Resources Comments
10.1	N/A
11	Risk Assessments
11.1	Should the Audit Committee not consider a report reviewing the system of Internal Audit on an annual basis then it could be argued it has not complied with the Accounts and Audit Regulations (Mark Stenson)
12	IT Implications
12.1	N/A
13	Property Implications
13.1	N/A
14	Procurement Implications
14.1	N/A
15	Environmental and Health & Safety Implications
15.1	N/A
16	Equality, community cohesion and crime implications
16.1	N/A
17	Equality Impact Assessment Completed?
17.1	None Required
18	Key Decision
18.1	N/A
19	Forward Plan Reference
19.1	N/A
20	Background Papers
20.1	The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act: File Ref: Background papers are included in the Appendices Officer Name: Mark Stenson Contact No: 0161 770 4783

21 **Appendices**

21.1 The following Appendices are available to support this Report:

- **Appendix 1:** Oldham Council Corporate Governance: 2021/22 Internal Assessment.

Oldham Council Corporate Governance: 2021/22 Internal Assessment

Oldham Corporate Governance Balanced Scorecard Summary 2021-22			
Internal Audit			
1.1 Compliance with International Auditing Standards	G		
1.2 Work on Fundamental Financial Systems	G		
1.3 Reporting to Audit Committee of Internal Control Matters	G		
1.4 Completion of the 2021/22 Internal Audit Plan	A/G		
1.5 Detailed undertaking and reporting of internal audit work	G		
1.6 Relationship with External Audit	G		
1.7 Risk Based Internal Audit Planning Process	G		
1.8 Liaison with Directorates	A/G		
1.9 Audit Reporting	G		
1.10 Use of Automated Software	A/G		
Corporate Initiatives and Monitoring			
2.1 Local Code of Corporate Governance	G		
2.2 Annual Governance Statement reflects CIPFA/SOLACE	G		
2.3 External Audit Fees	G		
2.4 Counter Fraud Policy Framework	G		
2.5 Systems Assurance on developments has led to improvements	G		
2.6 Challenging Issues reported to Audit Committee	G		
2.7 Finance Procedure Rules are up to date	G		
2.8 Adult Social care System has an adequate opinion	A/R		
2.9 Compliance within Council on Procedure Rules	A/R		
2.10 Overall Control environment of Council	A/G		
Risk Management/Insurance			
3.1 Level of Insurance Claims in Council	G		
3.2 Achievement of Insurance Savings	G		
3.3 Insurance incl Renewals Arranged	G		
3.4 MMI Risk Managed	G		
3.5 Development of Financial Information on Insurance	G		
3.6 Risks Management Strategy	G		
3.7 Fraud Prevention on Insurance	G		
3.8 Success at Litigation to reduce costs	G		
3.9 Member involvement on Insurance/Risk Management	G		
Public Sector Internal Audit Standards			
4.1 Level of fraud within Council	G		
4.2 Transparency Agenda	A/G		
4.3 Counter Fraud Strategy	G		
4.4 Systems to Prevent Fraud	G		
4.5 National Fraud Initiative	G		
4.6 Develop Training on Internal Control and Risk of Fraud	A/G		
4.7 Staffing Issues	G		
4.8 Performance Appraisals	G		
4.9 Equal Opportunities and other HR Indicators	G		
Key to ratings			
R	Red - Highly problematic - requires urgent and decisive action.		
A/R	Amber/Red - Problematic - requires substantial attention, some aspects need urgent attention		
A/G	Amber/Green - Mixed - aspect(s) require substantial attention, some good		
G	Good – on target, or target already achieved		
W	Objectives where measures not yet agreed		
P	Work in progress, no assessment available.		

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Report to Audit Committee

Proposed Audit Committee Work Programme for 2022/23

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

21 July 2022

Reason for Decision

The workplan below sets out the proposed schedule of Audit Committee meetings for the Municipal Year 2022/23, including meeting dates and venue, agenda items and a brief summary of the report subject.

Executive Summary

The workplan is updated and reviewed on a regular basis and the current proposed schedule is attached below. The plan is shaped by the Council's formal reporting structures and the timings of the meetings and agenda items are scheduled to reflect this. Any urgent or new developments will be added to the workplan accordingly.

Recommendations

That Members of the Audit Committee are asked to note the proposed workplan and comment where necessary.

Proposed Audit Committee Work Programme for 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 21 July 2022, 6.00pm.	Update on External Audit Matters	An update if required, on national developments linked into the ongoing developments and consultations on the provision of external audit to Local Government Bodies
	2021/22 Statement of Final Accounts.	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the fieldwork from the current external audit which is ongoing.
	The 2021/22 Review of the System of Internal Audit	Annual Review of the system of internal audit using the balanced scorecard.
Page 44	Proposed Audit Committee Work Programme for the Municipal Year 2022/23	This report detailing the proposed work programme for 2022/23 including actions required to support the approval of the 2021/22 Statement of Final Accounts.
	Private Report; Partnership Risk Dashboard	This is the regular report produced for the Committee to assess the ongoing risk to the Council from its key partnerships.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23.	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
Thursday 8 September 2022, 6.00 pm	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Audit Completion Report	This report details the findings (excluding the conclusion of the Infrastructure Consultation) of the external audit into the 2021/22 Statement of Final Accounts.

Proposed Audit Committee Work Programme for 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	2021/22 Statement of Final Accounts.	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the Audit Findings Report. It is anticipated the consultation outcome will have been issued at this date indicating the impact on the 2020/21 and 2021/22 accounts.
	Update on Financial Administration in Local Authorities	A report detailing challenges experienced in the financial administration at other local authorities including Section 114 Notices issued as reported in the public domain.
	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
Page 45	Proposed Audit Committee Work Programme for 2022/23.	This report detailing the proposed work programme for 2022/23 including actions required to support the approval of the 2021/22 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23.	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 June 2022 in relation to matters included on the Corporate Risk Register.
Tuesday 1 November 2022, 6.00pm.	Audit Completion Certificate for the 2020/21 Accounts	The final audit certificate is anticipated to be issued following the implementation of the agreed accounting treatment for Infrastructure Assets and the conclusion of the Whole of Government Accounts audit.

Proposed Audit Committee Work Programme for 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	2021/22 Statement of Final Accounts.	This report details the audited opinion for the 2021/22 Statement of Final Accounts.
	Oldham Council Value for Money Reporting for the Financial Year 2021/22	This report details the value for money opinion provided by the external auditor under the revised Code of Practice for the financial year 2021/22.
	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Treasury Management Mid-Year Review	The planned scrutiny of the 2021/22 Treasury Management Mid-Year review before submission to Cabinet in November.
Page 46	Review of Corporate Fraud Policies	An annual review of the Counter Fraud Suite of policies to reflect the recent legislation.
	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for 2022/23	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues for 2022/23.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Senior Information Risk Owner update: Update.	This updates the Audit Committee on the key matters relating to data protection and information security breaches.

Proposed Audit Committee Work Programme for 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Monday 16 January 2022, 6.00 pm	Auditors Annual Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Treasury Management Strategy Statement 2023/24	This report sets out the Proposed Treasury Management Strategy for 2023/24 to support the Corporate Objectives of the Council.
	Compliance with the Chartered Institute of Finance and Accountancy (CIPFA) Code of Financial Management	This report details the assessment within Oldham Council on how it complies with the CIPFA Code of Financial Management with appropriate recommendations for improvement.
	Internal Control Matters for Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service.
Page 47	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for the remainder of 2022/23 and the 2023/24 financial year.	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Partnership Risk Dashboard	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.

Proposed Audit Committee Work Programme for 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 9 March 2023, 6.00pm	Data Protection Update	Routine six monthly report by the Data Protection Officer as required under GDPR.
	Audit of Teachers' Pensions Agency Return 2021/22.	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	Audit of Housing Benefit Subsidy claim 2021/22	This report considers the feedback on the audit of the Housing Subsidy Grant claim.
Page 48	Audit Strategy Memorandum 2022/23	The report to the Audit Committee setting out the planned external audit approach to auditing the 2022/23 Statement of Final Accounts.
	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for 2023/24.	This report detailing the proposed work programme to support the approval of the 2022/23 Statement of Final Accounts.
	Private Report; Senior Information Risk Owner (SIRO) Update	Annual report of the SIRO including an overview of reported data breaches.
	Private Report; Internal Audit Plan 2023/24	The proposed plan of work for the financial year 2023/24 to enable review by the Committee.
	Private Report; Update on the Annual Governance Statement for 2021/22 and new issues.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

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