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AUDIT COMMITTEE
Overview & Scrutiny Committee
Agenda

Date	Tuesday 28 March 2023
Time	6.00 pm
Venue	Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL
Notes	1. DECLARATIONS OF INTEREST- If a Member requires 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 at least 24 hours in advance of the meeting. 2. CONTACT OFFICER for this agenda is Tel. or email 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 noon on Thursday, 23 March 2023. 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. Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held. 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. Please also note the Public attendance Protocol on the Council's Website https://www.oldham.gov.uk/homepage/1449/attending_council_meetings MEMBERSHIP OF THE AUDIT COMMITTEE Councillors Ahmad, Alyas, C. Gloster, Islam, Salamat, Arnott, Ball, Hulme and Iqbal

Oldham Council

Item No

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 Meeting (Pages 1 - 10) The Minutes of the meeting held on 16 January 2023 are attached for approval.
6	Audit Completion Report Report to follow.
7	Final Accounts Update Report to follow.
8	Proposed Accounting Policies and Critical Judgements for the 2022/23 Final Accounts (Pages 11 - 36)
9	Audit of Housing Benefit Subsidy Report to follow.
10	Internal Audit Charter 2023/24 (Pages 37 - 48)
11	Update on General Matters (Pages 49 - 66)
12	Update on Work Programme 2023 (Pages 67 - 76)
13	Exclusion of 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.

14 2023/24 Internal Audit and Counter Fraud Plan (Pages 77 - 108)

15 Update on Corporate Risk Register (Pages 109 - 116)

16 Update on the Annual Governance Statement for 2021/22 and New Issues (Pages 117 - 134)

17 Senior Information Risk Owner Update (Pages 135 - 142)

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AUDIT COMMITTEE
16/01/2023 at 6.00 pm

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

Also in Attendance:
A. Ryans – Director of Finance
M. Stenson – Assistant Director of Corporate Governance and Strategic Financial Management
K. Murray – External Auditor (Mazars LLP)
J. Miller – Head of Internal Audit and Counter Fraud
V. Gallacher – Head of Insurance and Information Management
L. Walsh – Finance Manager (Capital and Treasury)
P. Thompson – Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Alyas.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **MINUTES OF PREVIOUS MEETING**

Resolved:
That the Minutes of the meeting of the Audit Committee held on 29th November 2022, be approved as a correct record.

5 **PUBLIC QUESTION TIME**

There were no public questions for this meeting of the Audit Committee to consider.

6 **EXTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report of the Council's external auditors, Mazars LLP, which presented to the Council key information that they felt was appropriate to bring to the Committee's attention. It provided the Committee with an update on progress in delivering their responsibilities as external auditors.

In terms of the 2020/21 financial year, the representatives of Mazars LLP reported that their final remaining responsibility related to the Council's whole of government accounts (WGA) return. As requested by the National Audit Office, in December 2022, Mazars had submitted their auditor statement for their WGA group audit purposes. Mazars were still awaiting the NAO to clarify whether they require any work to be carried out on the Council's WGA return.

Regarding the 2021/22 financial statements audit, Mazars reminded members that they had reported their draft Audit Completion Report to the last Audit Committee meeting on 29th

November 2022. Since that meeting Mazars had progressed the outstanding issues as follows:

a. Financial Instruments – Fair Value disclosure of loans to Manchester Airport – our internal valuation experts have confirmed the approach adopted by the Council's external advisors, Link, for 2021/22 is reasonable. However they have concluded that the methodology adopted for 2021/22 should also have applied to the fair value disclosures for 2020/21. The Council had already obtained an updated Fair Value report from Link for 2020/21 and can make the appropriate amendments to the disclosures in the accounts for both the 2022 and prior year.
b. Net Pension Liability – Mazars had received confirmation from the Greater Manchester Pension Fund auditor that they had completed their programme of work as requested. The report from the Pension Fund auditor noted that the draft Pension Fund financial statements included a non-material understatement in the valuation of investment assets. Our estimate of the impact on the Council's pension assets is that they are understated by £8.7m (Group pension assets would be understated by £9.7m). The Net Pension Liability was consequently overstated by the same amount. This matter was to be discussed with the Council's finance team and discussions will include any misstatements in our final Audit Completion Report at the conclusion of the audit.
c. Property, Plant and Equipment – the resolution to the sector-wide accounting issue on infrastructure assets had progressed. The Government published a statutory override which came into effect at the end of December 2022. CIPFA were expected to publish their update to the Code of Practice in early January 2023. Once the Council has considered this guidance, additional work would likely be required by the finance team to determine the adjustments needed to the accounts. Once this is provided, Mazars will carry out our audit work to conclude on this area. Their audit work on the Council's valuation of its share of the land at Manchester Airport, the accounting treatment of its provisions, and its consolidation of its Group financial statements continued. Mazars expected to complete this work in late January 2023.

Resolved:
That the report be noted.

7 **PUBLIC SECTOR AUDIT APPOINTMENTS - CONFIRMATION OF MAZARS LLP AS THE COUNCIL'S EXTERNAL AUDITOR FOR 2023/24 TO 2027/28.**

The Committee considered a report of the Director of Finance which advised members that the Public Sector Audit Appointments (PSAA) was responsible for appointing an External Auditor from 2023/24 to eligible bodies that have chosen to opt into its national auditor appointment arrangements. As previously agreed by Members, Oldham Council had opted into this arrangement.

Following the Council's response to the Public Sector Audit Appointments consultation on the proposed appointment of Mazars LLP as the External Auditor for Oldham Council for the period 2023/24 to 2027/28, the PSAA has now confirmed the appointment of Mazars LLP as the Council's External Auditor for that period. This appointment was made under Regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and had been approved by the PSAA Board at its meeting on 16th December 2022.

Resolved:
That the Audit Committee notes the appointment of Mazars LLP as the External Auditor for Oldham Council for the period 2023/24 to 2027/28.

8 **EXTERNAL AUDIT OF TEACHERS' PENSIONS AGENCY RETURN 2021/22**

The Committee considered a report of the Director of Finance which advised that Teachers' Pension Contributions paid over to the Teachers' Pension Agency were subject to a specific external audit review, which resulted in an annual certification. The submitted report detailed the outcome for the financial year 2021/22.

The End of Year Certificate for the 2021/22 review were attached at the Appendix to the report. There were findings from the review in respect of Test 3 and 7 which were undertaken. This compared to reported findings on Test 3, 4 and 9 for the 2020/21 certificate.

The value for 2021/22 was much higher than that recorded for 2020/21. The level of error recorded was to be considered by the ongoing internal audit into payroll. In respect of Test 7, the reported error occurred as two Pension Letters were initially unavailable to verify the contributions paid which were then classified wrongly. On 30th November 2022 the Teachers' Pension Agency confirmed their agreement to the contributions paid over to them by the Council for the financial year 2021/22.

Resolved:
That the report regarding the Certification of the Teachers' Pension Return for the financial year 2021/22, be noted.

9 **TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24**

The Committee considered a report of the Director of Finance that presented the Council's Treasury Management Statement for 2023/24.

The Committee was advised that the Council was required, through regulations supporting the Local Government Act 2003, to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2021 (the Code) also required that the receipt by full Council of a Treasury Management Strategy Statement. The Strategy for 2023/24 covered two main areas, namely: firstly Capital Issues - the Capital expenditure plans and the associated Prudential Indicators and the Minimum Revenue Provision (MRP) Policy Statement; and secondly Treasury Management Issues - the Current Treasury Position, Treasury Indicators which limit the treasury risk and activities of the Council, Prospects for Interest Rates, The Borrowing Strategy, The Policy on Borrowing in Advance of Need, Debt Rescheduling, The Investment Strategy, The Creditworthiness Policy and The Policy regarding the use of external service providers.

The report thus outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations accordingly regarding the Treasury Management Strategy for 2023/24. The report included the most recently available economic background commentary which reflected the position at 22nd December 2022.

The proposed Treasury Management Strategy was presented to the Audit Committee to enable scrutiny and challenge of the report before it's further consideration in the budget setting cycle. It was also due to be presented to the Policy Overview and Scrutiny Committee on 26th January 2023. Any comments from the Audit Committee or by the Policy Overview and Scrutiny Committee would be incorporated into the report presented to Cabinet on 13th February 2023 and to Council on 1st March 2023.

Resolved:
That the Audit Committee commends to Cabinet and Council that the following be approved and adopted:

a. The Capital Expenditure Estimates as per paragraph 2.1.2 of the submitted report.
b. The MRP policy and method of calculation as per Appendix 1 of the submitted report.
c. The Capital Financing Requirement (CFR) Projections as per paragraph 2.2.3 of the submitted report.
d. The Projected treasury position as at 31st March 2023, as per paragraph 2.4.3 of the submitted report.
e. The Treasury Limit's as per section 2.5 of the submitted report.
f. The Borrowing Strategy for 2023/24 as per section 2.7 of the submitted report.

g. The Annual Investment Strategy as per section 2.11 including risk management and the creditworthiness policy at section 2.12 of the submitted report.
h. The Level of investment in specified and non-specified investments detailed at Appendix 5 of the submitted report.

10 **AUDIT AND COUNTER FRAUD PROGRESS REPORT INCLUDING SIGNIFICANT ISSUES HIGHLIGHTED ON INTERNAL CONTROL**

The Committee considered a report of the Director of Finance that provided Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2022/23 financial year.

The report summarised the work carried out by the team from 1st April 2022 to 31st December 2022. In the first nine months of the year, the team's major work included: prioritising finalising work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts, and draft final reports have been issued. In addition, other Audit and Counter Fraud Team activity included: Commencement of the 2022/23 FFS reviews; the continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information and Assurance Statements in respect of grants paid; the continued support in providing assurance in respect of other non-COVID Central Government Grant regimes; the compilation of the Annual Audit Report and Opinion and other reports for this Committee; the completion of Audit reviews of Local Authority Maintained Schools for St Joseph's Primary School and Glodwick Infant and Nursery School, and Miocare CIC's Fundamental Financial Systems; issuing briefing notes and reports on Postal Voting during the election in May 2022 and the Hollinwood by-election, Foster Care Aids and Adaptations, Payroll leavers, and IR35 Procedures and Controls; the commencement of audit reviews in connection with the Alexandra Park Eco project, the Council's Let Estate Function, Children's Social Services Cash Imprest Accounts, Disabled Facilities Grant Funding, Housing Strategy implementation, the Land Sales Programme, Spindles procurement and the North Chadderton High School Extension project; and the Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £2,282,951 and £138,684 (respectively) for the period 1st April to 31st December 2022.

Resolved:
That the report be noted.

11 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR THE REMAINDER OF 2022/23 AND THE 2023/24 FINANCIAL YEAR**

The Committee received a copy of the proposed Audit Committee Work Programme for 2022/23 and early 2023/24.

Resolved:
That the proposed Audit Committee Work Programme for 2022/23 and early 2023/24 be noted.

12 **EXCLUSION OF PRESS AND PUBLIC**

Resolved:
That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following four 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.

13 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2021/22 AND NEW ISSUES**

The Committee considered a confidential report of the Director of Finance which 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 2021/2022.

The Director of Finance reported that the Council, as part of its draft Statement of Final Accounts for 2021/22 had produced an Annual Governance Statement. This identified the significant governance issues that the Council needed to consider in the next financial year to reduce its risk. Appendix 1 to the submitted report detailed the issues that were reported in the 2021/22 Annual Governance Statement and the actions taken thus far, during the 2022/23 financial year, to mitigate these risks. It also gave an opinion on the present risk at the production of the Annual Governance Statement based upon a Red/ Amber/ Green (RAG) rating.

Member of the Committee were informed that a report updating the Annual Governance Statement, to support the final version of the 2021/22 Statement of Final Accounts, should be presented to a future meeting of the Committee following the formal resolution of an infrastructure accounting issue.

Resolved:
That the Committee notes the progress update on the issues, identified in the 2021/22 Annual Governance Statement.

14 **POTENTIAL RISKS ASSOCIATED WITH COUNCIL'S SETTING UP A HOUSING COMPANY**

The Committee considered a confidential report of the Director of Finance which updated Members, as requested at a previous meeting, on the perceived risks to the Council associated with the potential establishment of an independent Housing Company.

The Audit Committee's meeting held on 21st July 2022 had considered a report on Partnership Governance within the Council. The report had highlighted that within the present Housing Strategy one option the Council would look at was the benefits/risks of setting up its own Housing Development Company. When considering this matter, it was requested that a report be produced to a future meeting of this Committee on the perceived risks to the Council if it proceeds with setting up such a company. The submitted report therefore contained the following details linked into the perceived risks as per the report author associated with setting up a Housing Company:

A. The background as to why a significant number of Local Authorities have set up their own 100% owned Housing Companies.
B. Where the risks associated with the actual setting up a 100% owned company and then its subsequent operation was not perceived by the parent organisation.
C. Examples of where the setting up of a 100% owned company has achieved the objectives of the parent organisation.
D. The perceived risks to Oldham Council if it proceeds to set up a 100% owned Housing Company.

Resolved:
That the Committee notes the perceived risks detailed in the submitted report.

15 **PARTNERSHIP RISK DASHBOARD**

The Committee considered a confidential report of the Director of Finance which was built upon previous reports that had been submitted to meetings of this Committee, during the last three financial years that had highlighted the potential risks to the Council from poor supervision of companies/partnerships of which it has ownership and how governance oversight (including that of the Audit Committee at several Councils), had failed to identify this risk resulting in significant financial loss.

The Audit Committee had therefore requested that the Assistant Director of Corporate Governance and Strategic Financial Management prepare a report for its consideration at least every six months, which presented the potential risks to the Council from the partnerships in which it has an interest. The submitted report therefore updated the report previously presented to the Committee at its meeting on 21st July 2022. It also linked into the report produced on the Specific Risks, that was presented to the Committee's meeting on 1st November 2022, which detailed the current assessment of risk to the Council from the operation of the Northern Roots Charitable Company. There was, in addition, also a report, elsewhere on this meeting's agenda which outlined the perceived risks should the Council progress with the setting up of a Housing Company which was an option to be considered in the agreed Housing Strategy.

The submitted report identified partnerships in which the Council had an interest and then used a traffic light system to rank the risk (green, amber and red), to the Council as of 31st December 2022. These partnerships and the current assessment of risk have been split into seven categories: 100% Council Owned Companies; Companies in which the Council has an Equity Stake; Special Purpose Vehicles; Council Initiatives; The Green

Agenda; Local Government Association; and Residual Commitments.

In terms of issues for this Committee to consider the report had identified issues detailed in the report on the following partnerships:

i. Northern Roots
ii. Meridian Development Company
iii. Unity Partnership Limited
iv. Community 1st Oldham (Chadderton) Limited
v. Oldham Property Partnership
vi. Hollinwood Development Partnership
vii. Towns Fund Board

In addition, the Committee was asked to consider the oversight of Council Companies that were operated by Cabinet. The Council has set up a Shareholder Committee Cabinet Sub-Committee, whose Terms of Reference were attached at Appendix 1 of the Committee's report. Section 1 of the main report highlighted the Shareholder Sub-Committee was currently operating.

The latest version of the Partnership Risk Dashboard was circulated and the Committee was asked to discuss individual sections of the Dashboard with Members being provided further detail on the current assessment of risk. This would allow, if required, further targeted information to be presented to future meetings.

Resolved:

1. A review be undertaken by the Council regarding the Shareholder Committee's Terms of Reference.
2. The Constitutional Services Team be requested to review the authority's appointments to outside bodies and to report thereon to the Annual Council meeting on 25th May 2023.
3. That appropriate training be provided to those Members and Officers who are appointed by the Council to be Company Directors.
4. That discussions be held with the Chairs of the Council's Overview and Scrutiny Committees regarding arrangements for the future oversight and scrutiny of Council Companies.
5. The Committee notes the report and the current level of assessed risk on current partnerships to the Council.

16 **UPDATE ON THE CORPORATE RISK REGISTER**

The Committee considered a confidential report of the Director of Finance that updated Members on the Corporate Risk Register, which was initially presented, but deferred, at the previous meeting of the Committee on 29th November 2022.

The Audit Committee was charged with governance Members were asked to scrutinise the Corporate Risk Register.

The Council has an agreed Risk Management Strategy and Framework which had been refreshed. Most risks were linked to the business planning process and refreshed quarterly by services. Appendix 1 to the report detailed the Corporate Risk Register.

Resolved:
That the report be noted.

The meeting started at 6.00pm and ended at 7.40pm

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Report to Audit Committee

2022/23 Final Accounts - Proposed Accounting Policies and Critical Judgements

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

28 March 2023

Reason for Decision

In line with best practice principles, approval is sought for the significant accounting policies and the critical judgements to be adopted in the preparation of the Council's 2022/23 Statement of Accounts.

Executive Summary

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2022/23 Statement of Accounts.

Recommendations

It is recommended that the Audit Committee:

1) approves the Council's proposed accounting policies to be adopted in completing the 2022/23 Statement of Accounts
2) notes the critical judgements made by management when producing the Statement of Accounts.

1. **Introduction**

1.1 The report presents the significant accounting policies that will be used in the preparation of the 2022/23 Statement of Accounts. The report also explains the requirement to disclose the critical judgements made by management when producing the Statement of Accounts.

2. **Accounting Policies**

2.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts. A copy of the policies can be found at Appendix 1. There have been no changes from the amended policies (updated for the Infrastructure Asset Statutory Override -see paragraph 2.2 below) used to prepare the 2021/22 Statement of Accounts.

2.2 During the 2021/22 final accounts process, the accounting policy related to Infrastructure Assets (included within policy 1.2 Property, Plant and Equipment) was updated in accordance with the temporary relief offered by the Update to the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the statutory override following the amendment to Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022. This allows the Council to treat the value of any replacement component of infrastructure assets as nil, without the need for further evidence and is in response to an issue with regards to the valuation of Infrastructure Assets, in particular relating to component accounting and how Local Authorities have been dealing with de-recognising infrastructure expenditure.

3. **Critical Judgements**

3.1 In line with International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are shown at Appendix 2.

3.2 Critical Judgements include, which schools' property, plant and equipment and PFI information should be included on the Council's balance sheet, which entities fall within the Council's group boundary and which organisations should be included within the Council's group accounts and how properties should be classified as investment property.

3.3 The Critical Judgements note has been reviewed for 2022/23 and has resulted in the removal of the judgement related to Manchester Airport Group, the treatment of which is covered within the Council's accounting policies. There have been no further significant changes compared to the 2021/22 Critical Judgements note.

4. **Options/Alternatives**

4.1 The options that Audit Committee Members might consider in relation to the contents of this report are:

a) not to approve any of the accounting policies or to note the critical judgements.
b) not to approve some of the accounting policies or to note the critical judgements.
c) to approve all the accounting policies and note the critical judgements.

5. **Preferred Option**

5.1 The preferred option is the option presented at 4.1 (c).

6. **Consultation**

6.1 Consultation has taken place with the Council's External Auditors, Mazars LLP.

7. **Financial Implications**

7.1 Dealt with in the body of the report.

8. **Legal Services Comments**

8.1 There are no Legal implications.

9. **Co-operative Agenda**

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

10. **Human Resources Comments**

10.1 There are no Human Resource implications.

11. **Risk Assessments**

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

12. **IT Implications**

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

13. **Property Implications**

13.1 There are no Property implications.

14. **Procurement Implications**

14.1 There are no Procurement implications.

15. **Environmental and Health & Safety Implications**

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

16. **Equality, community cohesion and crime implications**

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

17. **Equality Impact Assessment Completed?**

17.1 Not Applicable

18. **Key Decision**

18.1 No

19. Key Decision Reference

19.1 Not Applicable.

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 provided at Appendices 1 and 2.
Officer Name: Lee Walsh
Contact No: 0161 770 6608

21. Appendices

21.1 Appendix 1 – 2022/23 Proposed Accounting Policies
Appendix 2 – 2022/23 Proposed Critical Judgements in Applying Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. The Council has a £10,000 de minimis limit for the recognition of Capital Expenditure.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets, infrastructure assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer;
- infrastructure –See section below.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and/or whose life is significantly different to the life of the host (main) asset, the components are depreciated separately.

Components are recognised in the financial year where:

- there has been a revaluation of assets;
- there has been an acquisition of assets within the financial year; and
- enhancement expenditure has been incurred within the financial year.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land which together form a single integrated system.

- Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual's basis, provided that it is probable that the future economic benefit associated with the item will flow to the Council and the cost of the item can be measured reliably.

- Measurement

Highways infrastructure assets are measured at depreciated historical cost. This is, however, a modified form of historical cost. Opening balances for highways infrastructure assets were originally recorded in the balance sheet at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at the time to be historical cost.

- Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

- Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Annual depreciation is the depreciation amount allocated each year.

The useful lives of the various parts of the highways network are detailed below:

Elements of the Highway Network	Useful Life
Carriageways	27
Footways and Cycle Tracks	45
Structures	107
Street Lighting	40
Street Furniture	40
Traffic Management Systems	15

Disposal and Derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off the 'Other Operating Expenditure' line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income & Expenditure Statement, also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). The written off amounts of disposal are not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.3 Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's Accounting Policies on Property Plant and Equipment. However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available and the Council has no records of the original cost of the asset, then there is a narrative disclosure of the asset.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.4 Investment Property

Investment properties are those assets that are used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated, and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are charged to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

1.5 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- The value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

1.6 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.8 Capital Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and

- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.23 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI).

The Council has made an irrevocable election to designate two of its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The assets are initially measured and carried at fair value. The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments Entered into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.10 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Employee Accumulated Absence Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Greater Manchester Local Government Pension Scheme - administered by Tameside Metropolitan Borough Council.
- The Teachers' Pension Scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme - administered by EA Finance NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Community Health & Adult Social Care Portfolio line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Greater Manchester Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high-quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The change in the net pension liability is analysed into following components:

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions paid to the Greater Manchester Pension Fund - cash paid as employer contributions to the pension scheme in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve, to remove the notional debits and credits for retirement benefits, and replace them with debits for the cash paid to the pension fund, and pensioners, and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of a change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payment; and;
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement but have yet to be used to fund revenue expenditure, it is posted to the Revenue Grant Reserve. When eligible expenditure is incurred in future years the grant is transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

1.15 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are further explained in the relevant policies.

1.16 Revenue Recognition

Revenue is defined as income arising as a result of the Council’s normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

1.17 Tax Income

Council Tax, Retained Business Rates and Business Rates Top-up Grant income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Business Rates, Business Rates Top-up Grant and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the Business Rates and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Business Rates and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the Authority's arrangements for accountability and financial performance, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation;
- Non Distributed Costs – changes in past service costs and impairment losses chargeable on Assets Held for Sale.

Corporate and Democratic Core is identified as a separate heading in the Comprehensive Income and Expenditure Statement. Non Distributed Costs form part of the Capital, Treasury and Technical Accounting Portfolio line with the Council's local reporting format.

1.19 Value Added Tax (VAT)

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Interests in Companies and Other Entities

The Council has material interests in external entities that are classified as subsidiaries and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in Accounting Policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.22 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events - Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Non-Adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.23 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received from the sale of an asset or paid over to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or;

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council’s fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

2022/23 Proposed Critical Judgements in Applying Accounting Policies

The following disclosure sets out critical judgements applied to the Accounting Policies of the Council that have a significant impact on the presentation of the financial statements. Critical estimation uncertainties are described in the note.

Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2020/21 – 2022/23, the Council agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment. Subsequently, in April 2020 the Council paid £46.726m based on an estimated pensionable payroll of £79.874m per annum in order to make a budget saving. In line with the Council's accounting policies, in 2020/21 the amounts relating to 2021/22 and 2022/23 were offset against the pension liability on the balance sheet. These amounts will be reflected in the pension reserve in the years to which they relate.

At the close of the triennial period (2022/23) the pension reserve and the pension liability will be brought into line with each other. For further details see note 30 Defined Benefit Pension Schemes.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools	Total
Community	24	1	1	**26**
Voluntary Controlled (VC)	5	-	-	**5**
Voluntary Aided (VA)	27	1	-	**28**
Foundation/Foundation Trust	4	1	-	**5**
Maintained Schools	**60**	**3**	**1**	**64**
Academies	25	10	6	**41**
Total	**85**	**13**	**7**	**105**

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

The Council has entered into Private Finance Initiative (PFI) agreements to build and operate three schools in the Borough. One is a VA school; one is a Foundation Trust school and the remaining school is an Academy. Whilst the land which the buildings are sited on has been transferred to the respective Diocese, Trust and Academy, the ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Council considers the buildings associated with these schools should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Council having a residual interest in the buildings at the end of the agreement
- The services provided and the use of the building is controlled by the Council through the PFI agreement
- The PFI agreement is between the PFI contractor and the Council

Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body. Four VC schools are owned by the Diocese which have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet. The remaining VC school land and buildings are owned by the Council and included on the Balance Sheet.

Legal ownership of the VA school land and buildings rests with the relevant Diocese. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. There are five Foundation schools in the Borough. For one school, the Governing Body has legal ownership of the land and buildings and thus these are included on the Council's Balance Sheet. For the remaining Foundation Trust school, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e., the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

The Council has assessed its group boundary for 2022/23. The Council has identified one subsidiary who are considered to be material and will be consolidated into its group accounts. The subsidiary included is MioCare Group Community Interest Company (CIC). Further details can be found in the group accounts in section 5.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the International Accounting Standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

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Report to Audit Committee

Internal Audit Charter 2023/24

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

Officer Contact: John Miller, Head of Audit and Counter Fraud

Report Author: John Miller, Head of Audit and Counter Fraud

28 March 2023

Reason for Decision

To advise Audit Committee Members of the proposed Internal Audit Charter for 2023/24.

Executive Summary

The work of Internal Audit at Oldham Council has been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 (updated 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 are mandatory for all Internal Auditors working in the UK public sector.

The 2023/24 Internal Audit Charter is attached at Appendix 1 to this report.

Recommendations

Members of the Audit Committee are requested to approve the Internal Audit Charter, effective from 1 April 2023.

Internal Audit Charter 2023/24

1 Background

1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective system of Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to the Public Sector Internal Audit Standards and guidance.

1.2 Local Authority Internal Audit functions should comply with the 2013 Public Sector Internal Audit Standards (Revised 2017). These Standards (PSIAS) 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 are mandatory for all Internal Auditors working in the UK public sector; the objectives of the PSIAS are to:

- define the nature of Internal Auditing within the UK public sector;
- set basic principles for carrying out Internal Audit in the UK public sector;
- establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of Internal Audit performance and drive improvement.

1.3 The Standards require an independent external assessment of the Council's Internal Audit service every five years. At its meeting on 8 September 2016, Members of the Audit Committee approved the selection of the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct this external assessment, and this was conducted in September 2017. The conclusions of the independent external assessment were reported to the Audit Committee meeting of 11 January 2018. As Members will be aware from the General Update Report elsewhere on this agenda, the subsequent PSIAS independent external assessment, due by 31st March 2023, is also being conducted by CIPFA and is currently underway. The results of this external assessment will be reported to this Committee in due course.

1.4 PSIAS require the "Internal Audit Charter" defines the mission, purpose, authority and responsibility of the Internal Audit function and its position within the organisation. The 2017 External Assessment report by CIPFA contained two recommendations in connection with the form and contents of this Charter, which were fully agreed and implemented by the Assistant Director of Corporate Governance and Strategic Financial Management in 2018/19 and subsequently in this latest Charter by the Head of Audit and Counter Fraud.

1.5 In accordance with the PSIAS external assessment, the following changes were made to the 2018/19 Audit Charter and these are retained in the attached 2023/24 Audit Charter, as follows:

- The "Mission of Internal Audit" replaced the role and purpose, which was clarified in the Charter.
- The Audit Charter incorporated a statement to confirm whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council.

1.6 As part of his annual review during 2023, the Head of Audit and Counter Fraud, has reviewed the Internal Audit Charter to ensure it is in line with latest guidance. The proposed 2023/24 Internal Audit Charter is attached as Appendix 1. This latest iteration of the Audit Charter contains 2 further changes, as follows:

- Clarification on the role and purpose of audit assurance reviews and consultancy assignments.
- Clarification on how conflicts of interest will be resolved should these arise.

2. **Options/Alternatives**

2.1 Members may either approve the proposed Internal Audit Charter 2023/24 or propose an alternative approach.

3. **Preferred Option**

3.1 That Members approve the proposed Internal Audit Charter 202/23.

4. **Consultation**

4.1 N/A

5 **Financial Implications**

5.1 N/A

6. **Legal Services Comments**

6.1 N/A

7 **Cooperative Agenda**

7.1 N/A

8 **Human Resources Comments**

8.1 N/A

9. **Risk Assessments**

9.1 The risk assessment is based on the work competed.

10 **IT Implications**

10.1 N/A

11 **Property Implications**

11.1 N/A

12 **Procurement Implications**

12.1 N/A

13 Environmental and Health & Safety Implications

13.1 N/A

14 Equality, community cohesion and crime implications

14.1. N/A

15 Equality Impact Assessment Completed

15.1 N/A.

16 Key Decision

16.1 N/A

17 Key Decision Reference

17.1 N/A

18 Background Papers

18.1 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 provided at Appendix 1
- Officer Name: John Miller
- Contact: john.miller@oldham.gov.uk

19 Appendices

19.1 **Appendix 1**: Oldham Council Internal Audit Charter 2023/24.

APPENDIX 1

Oldham Council
Internal Audit Function

Internal Audit Charter 2023/24

Internal Audit and Counter Fraud
Civic Centre
West Street
Oldham
OL1 1 UH

Internal Audit Charter 2023/24

Internal Audit Charter 2023/24

1 April 2022

1 Accounts and Audit (England) Regulations 2015

1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective system of Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to public sector Internal Audit standards and guidance. Local Authority Internal Audit functions should comply with the Public Sector Internal Audit Standards (PSIAS).

1.2 PSIAS (also referred to, in this document, as "the Standards") define Internal Auditing as "….*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

1.3 The Standards state that the Internal Audit plan should include and/or be aligned to the strategic statement of how the service will be delivered in accordance with the Internal Audit Charter, which is illustrated by the following process flow diagram:

1.4 The purpose of the Internal Audit Charter is to:

- define the mission, purpose, authority and responsibility of Internal Audit;
- establish the position of Internal Audit within the Council, its reporting lines and resources;
- authorise access to records, personnel and physical property relevant to the performance of the audit work; and
- define the scope of Internal Audit activities.

2 Definition of Internal Audit

2.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2.2 Each local government organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit's core assurance work plays a vital part in objectively testing these arrangements and providing assurance that they are in place and operating properly.

2.3 Internal Audit may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work described above, and the availability of skills and resources. Consulting, or advisory, services requested and/or agreed with the Service Management may include, but are not limited to:

- Advising management on control improvements
- Facilitating workshops
- Co-ordinating or participating in process review groups

- Research and data analysis
- Providing training
- Facilitating risk assessments

2.4 The PSIAS require that the Internal Audit Charter defines the terms ‘board’ and ‘senior management’ in relation to the work of Internal Audit. For the purposes of Internal Audit work, at Oldham Council:

- the ‘Board’ refers to the Council’s Audit Committee which has delegated responsibility for overseeing the work of Internal Audit; “Senior Management” is defined as the Chief Executive and members of the Council’s Senior Leadership Team; and
- the Head of Audit and Counter Fraud reports to the Director of Finance (Chief Financial Officer), to support their requirements under Section 151 of the Local Government Act 1972.

3. Mission of Internal Audit

3.1 Section 3 of the Public Sector Internal Audit Standards (PSIAS) sets out the mission of Internal Audit:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3.2 The mission of Internal Audit is, therefore, to provide an independent, risk based, objective assurance and consulting activity designed to add value and improve the Council’s operations. The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire council.

4. Professionalism

4.1 The Internal Audit Service will govern itself by adherence to the PSIAS. This guidance constitutes principles and fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit activity’s performance.

4.2 The Service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by Oldham Council.

5. Authority

5.1 The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Oldham Council’s records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist the Internal Audit Service in fulfilling its roles and responsibilities. The Internal Audit Service will also have free and unrestricted access to senior officers, Members and the Audit Committee.

5.2 Managers must also ensure that Internal Audit is provided with all the information and explanations that it requires in the course of its work.

6. Organisation

6.1 The Internal Audit Section is part of the Finance Department within the Chief Executive’s Portfolio. The Head of Audit and Counter Fraud reports jointly to the Assistant Director of

Corporate Governance and Strategic Financial Management and to the Director of Finance, and also reports regularly to the Audit Committee.

6.2 The Head of Audit and Counter Fraud may also, where necessary, and with reference to Section 7 below, report directly to the Chief Executive (or their Assistants or Deputies), the Council's Monitoring Officer, or the Chair of the Audit Committee, on any matter where this is deemed necessary to ensure appropriate audit independence and objectivity.

7. Independence and Objectivity

7.1 The Internal Audit Service will remain free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

7.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an Internal Auditor's judgment.

7.3 Where any potential conflict of interest, or threat to independence or objectivity is identified in respect of any audit assignment, this will be addressed by re-allocation of the audit assignment, or management or supervision of the assignment, so as to remove the conflict or threat to independence. Including by-passing the Head of Audit and Counter Fraud in favour of Assistant Director of Corporate Governance and Strategic Financial Management (or other senior officer) having direct oversight of any area of audit focus where the Head of Audit and Counter Fraud themselves is conflicted.

7.4 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

7.5 The Head of Audit and Counter Fraud will confirm the organisational independence of the Internal Audit activity to the Audit Committee, at least annually.

8. Scope of Responsibility

8.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Reporting periodically on the purpose of Internal Audit activity, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.
- Involvement in the investigation of any allegations of fraud in accordance with the Council's Fraud Response Plan.

9. Internal Audit Resources

9.1 At Oldham Council, the Head of Audit and Counter Fraud is responsible for ensuring that Internal Audit resources are appropriately organised, trained and deployed to deliver an effective Internal Audit service to the Council. In particular, his role is to ensure that Internal Audit resources:

- are appropriately qualified and experienced, and that they possess the appropriate skills, knowledge and competences to ensure due professional care;
- have sufficient knowledge of systems and ensure they have access to appropriate computer assisted audit techniques to perform their work, including data matching and analysis techniques; and
- are recruited, supported and trained in line with the Council's established standards and processes.

9.2 The Head of Audit and Counter Fraud ensures that the Annual Audit Plan sets out the resources that are available, and how they will be deployed to ensure that the Plan is delivered. Specialist resources may be commissioned from other providers.

9.3 The Head of Audit and Counter Fraud will report to the Council's Audit Committee if he believes there are insufficient resources available to deliver the Plan and if the level of agreed resources will impact adversely on the provision of the Annual Internal Audit Opinion.

9.4 The Head of Audit and Counter Fraud concludes that there are sufficient Internal Audit resources to deliver an effective Internal Audit service to the Council in 2023/24.

10. Internal Audit Plan

10.1 At least annually, the Head of Audit and Counter Fraud will submit to senior management and the Audit Committee an Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Head of Audit and Counter Fraud will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

10.2 The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

10.3 The Internal Audit Plan includes a strategic statement on Internal Audit, setting out how the overall service and how specific types of audits will be delivered. The Audit Charter sets out whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council (this is set out in section 9.4 above).

11. Reporting and Monitoring

11.1 A written report will be prepared and issued by the Head of Audit and Counter Fraud, or designee, following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated in summary to the Audit Committee.

11.2 The Internal Audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

11.3 The Internal Audit team will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

12. Review of Effectiveness of Internal Audit

12.1 The Accounts and Audit (England) Regulations 2015 and PSIAS require 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.

12.2 The Assistant Director of Corporate Governance and Strategic Financial management conducts an annual review of the Internal Audit services against criteria set out in the "Balanced Scorecard" methodology, which is based on the criteria set out in PSIAS. The outcome of this internal assessment is reported to the Audit Committee in the report "Review of the System of Internal Audit by the Audit Committee". The last internal assessment was approved by the Audit Committee at its meeting on 21 June 2022. The next report will be considered by the Audit Committee at a meeting of the Committee planned for June 2023.

12.3 The PSIAS also requires an external assessment of Internal Audit every five years. The PSIAS are not prescriptive in terms of how this should be fulfilled. Guidance by the Chartered Institute of Finance and Accountancy (CIPFA) indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. In addition, it is recommended that the Head of Audit and Counter Fraud must agree the scope of external assessments with the Director of Finance and Audit Committee, as well as with the external assessor or assessment team.

12.4 Internal Audit will also complete an annual self-assessment against the PSIAS for approval by the Chief Finance Officer. The results of this will be reported to the Audit Committee within the Internal Audit Annual Report.

12.5 In line with PSIAS, an external assessment of the Internal Audit service was conducted in 2017/18. This assessment was carried out by CIPFA.

12.6 The outcome of this external assessment was reported to the Audit Committee at its meeting of 11 January 2018. The next PSIAS independent external assessment is due for completion by 31 March 2023.

13. Annual Opinion of the Head of Audit and Counter Fraud

13.1 In addition to periodic assessments, the Head of Audit and Counter Fraud will report annually to senior management and the Audit Committee on the Internal Audit team's mission, purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

13.2 The Audit Annual Opinion Report by the Head of Audit and Counter Fraud provides an overview of the work and performance of Internal Audit throughout each year. This Opinion is supported, during the year by regular reports to the Audit Committee, which provide an ongoing view of the effectiveness of the overall internal control environment and also provide Members with an opportunity to challenge the Internal Audit process and relevant officers in relation to specific issues identified within each Directorate/Service area.

14. Internal Audit Charter Review

14.1 The Internal Audit Charter will be reviewed by the Head of Audit and Counter Fraud annually, to ensure that it supports and links to the Council's corporate priorities. The Charter should be reported to Audit Committee at least every two years. The previous Charter was last reported to, and agreed by, the Audit Committee on 21 June 2022, as such this document is generally reviewed annually by the Authority.

Report to Audit Committee

Update on General Matters

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

Email: mark.stenson@oldham.gov.uk

28 March 2023

Reason for Decision

It is appropriate to bring to Member's attention the following recent developments:

a) The change in the External Audit Team overseeing the Oldham Council audit for the financial year 2022/23 and for the new Public Sector Audit Appointments (PSAA) contract period from 2023/24 to 2027/28.

b) An update on the current review being undertaken by the Public Accounts Select Committee on the timeliness of Local Public Audit Reporting.

Executive Summary

This report sets out two key matters impacting on this Committee in undertaking its governance role within the Council. These are covered in Sections 2 of the report as detailed below.

Recommendation

Members note the matters detailed in this report.

Update on General Matters

1 Background

1.1 There are two items detailed in this report which need to be brought to the attention of the Audit Committee.

1.2 The first is to advise of a change in the External Audit Partner appointed by Mazars LLP to oversee the Oldham Council audit. The second issue is to inform the Members of the Committee of an on-going review overseen by the Public Accounts Select Committee into the timeliness of Local Audit Reporting on the accounts.

2 External Audit Matters

The Change in the External Audit Management Assigned to Oldham Council

2.1 There is a process whereby the appointed External Auditor, as part of good professional practice change their external audit personnel on a regular basis (by custom and practice this tends to be every 7 years). In line with good practice our Audit Partner is changing, with Karen Murray being replaced by a new Partner, Daniel Watson. Mr Watson will lead the audit process for the 2022/23 accounts and then for the new PSAA contract period running for the financial years 2023/24 to 2027/28.

Public Accounts Committee and the Timeliness of Local Audit Reporting

2.2 The Public Accounts Committee is currently undertaking a review into the timeliness of auditors undertaking their work and reporting their findings. This resulted in the evidence from the parties detailed below as provided on 16 March 2023 by:

a) Grant Thornton LLP - detailed at Appendix 1
b) The Local Government Association - detailed at Appendix 2
c) The views of a Section 151 Officer - detailed at Appendix 3

2.3 The issues highlighted in this evidence detail clearly the challenges facing the production and subsequent external audit of accounts and will be detailed further in the verbal presentation of the report.

3 Options/Alternatives

3.1 N/A

4 Preferred Option

4.1 N/A.

5 Consultation

5.1 N/A

6 Financial Implications

6.1 N/A

7 **Legal Services Comments**

7.1 N/A.

8 **Cooperative Agenda**

8.1 N/A.

9 **Human Resources Comments**

9.1 N/A.

10 **Risk Assessments**

10.1 N/A.

11 **IT Implications**

11.1 N/A.

12 **Property Implications**

12.1 N/A.

13 **Procurement Implications**

13.1 N/A.

14 **Environmental and Health & Safety Implications**

14.1 N/A.

15 **Equality, community cohesion and crime implications**

15.1 N/A.

16 **Equality Impact Assessment Completed?**

16.1 None.

17 **Key Decision**

17.1 N/A.

18 **Forward Plan Reference**

18.1 N/A.

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:	Background papers are included as Appendices 1 to 3
Officer Name:	Mark Stenson
Contact:	mark.stenson@oldham.gov.uk

20 **Appendices**

20.1 Appendix 1 - Grant Thornton submission to the Public Accounts Committee
Appendix 2 - Local Government Association submission to the Public Accounts Committee
Appendix 3 - Section 151 Officer submission to the Public Accounts Committee

TAR0001

Written evidence submitted by Grant Thornton UK LLP

Introduction and context

1. In 2021, the Public Accounts Committee reported that local audit was close to breaking point. Since then there have been some developments which give cause for optimism.
   - The Audit, Reporting and Governance Authority (ARGA) will act as the new systems leader for local audit, with a dedicated unit with local government audit expertise.
   - Public Sector Audit Appointments Ltd (PSAA) has awarded new contracts at more sustainable fees, with new market entrants
   - The National Audit Office (NAO) Code of Audit Practice will apply for the next PSAA contract round, through to 2027/28, providing greater clarity on audit programmes.
   - Delays caused by infrastructure accounting have been largely resolved by a Statutory Instrument and revised accounting requirements from the Chartered Institute of Public Finance and Accountancy (CIPFA).
2. While these changes are positive, the delay in publication of audited accounts across the sector remains severe and of widespread concern. In December 2022, PSAA reported that more than 220 opinions from years prior to 2021/22 remained outstanding.
3. The following are in our view the key issues which need to be resolved:
   - Clarity over purpose: there is a lack of agreement over the role of local audit. An urgent debate is needed over the role and focus of local audit that involves the sector and key stakeholders.
   - Complexity of local government financial statements: accounts are complex and there is a lack of consensus between the sector and stakeholders over areas of audit focus. This is particularly prevalent in the audit of land and buildings.
   - Investment: recruitment and investment in finance teams is essential to resolve the issues faced by the sector.
   - Capacity: audit firms have finite resources. A significant proportion of this is absorbed in resolving the backlog of audits and in dealing with poor governance and financial reporting at a small proportion of bodies.
   - Sanctions: intervention is needed for audited bodies where there are significant failures in financial reporting and an unwillingness to improve.

- Until these issues are addressed, the September deadline proposed by DHLUC will not be achievable. We set out further details on the causes of delay and actions required in the following sections.

Importance of audited accounts

4. Local authorities, police and fire authorities are responsible for delivering key public services used by citizens and taxpayers every day. The public deserves assurance that approximately £100 billion of net revenue spending annually is properly accounted for, and that there is proper stewardship of funds. Other key stakeholders such as Parliament, DLUHC and the NAO require the same assurance.
5. Proper stewardship of funds and high-quality public audit are also pivotal in establishing trust and local accountability. The risks from poor governance are greater in the context of funding pressures. External audit is one of the key checks and balances in local government.
6. There is consensus on the importance of audited accounts. Delays in publication are of widespread concern. Critical issues may not be identified in a timely manner where audits are delayed. This in turn makes it more difficult for decision makers to address key issues.

Publication requirements and performance

7. There has been a sharp decline in the publication of audited accounts in recent years.

Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

8. Audit resources are finite and under considerable pressure. Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies. In certain instances, audits are open as far back as 2017/18. Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces. This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.

System leadership

9. In his report of September 2020, Sir Tony Redmond recommended a body be created to manage, oversee and regulate local audit. Government subsequently confirmed its intention that the system leader for local government should be ARGA, with PSAA continuing with the procurement of local government audit. DLUHC has assumed the role on a temporary basis, working closely with other stakeholders including HM Treasury, CIPFA, ICAEW and PSAA.

10. The FRC appointed the first Director of Local Audit in September 2022, initially in shadow form. The Director will seek to lead and co-ordinate consistent policy, oversee the quality framework for public audit, support steps to strengthen the resilience of the market for the local audit sector and prepare an annual report on state of local audit.

11. A key role of the new system leader will be to determine the role of local audit. This should include a question of the balance between financial statements and Value for Money work. The current focus on the technical aspects financial statements audit is not, in our experience, valued by the sector. This is particularly the case with property valuation, which has no direct General Fund impact. An urgent debate is needed over the role and focus of local audit that involves the sector and key stakeholders.

Audit Quality

12. In October 2020, the FRC published its first public report setting out the findings from its inspection of major local audits. The FRC reported that 60% of the audits reviewed required improvements. Their greatest concern was in respect of property valuations, with auditors needing to strengthen their procedures around the challenge of management.

13. In subsequent reports (2021 and 2022) the FRC have noted improvements in the quality of audit work. However, they continue to stress the need for improvement in the audit of property.

14. Additional audit focus on property valuations has meant auditors are increasingly reliant on receiving information from expert valuers. This has, in

several cases, led to management commissioning additional work from their valuers and in some cases led to the replacement of valuers.

15. Where an auditor has failed to comply with the auditing framework, the FRC can sanction a firm for such breaches. These powers were first used in January 2022.

16. The FRC's focus has been successful in improving both the quality of audit and the quality of financial reporting in the sector. Firms will defer audit reports where it is not possible to complete work to the required standards by target dates.

17. This has posed a number of issues for the sector:

    - The pressure on resource and the significant technical knowledge has reduced the attractiveness of the sector to audit firms, as well as the work required for auditors and authorities.
    - The complexity of audits, the amount of work needed, and the pressure on resource has made local audit a difficult area in which to recruit.
    - There is a lack of consensus between the sector and stakeholders over the focus of financial statement audits. This is particularly prevalent in the audit of property.
    - Audit firms have invested in quality improvement programmes. The firms increasingly exercise caution when dealing with complex and problematic areas of the audit, such as accounting for infrastructure. This can require involved and time consuming solutions from CIPFA, DLUCH and others.

Risks in an evolving sector

18. The environment in which local authorities operate has been subject to significant changes over recent years. A notable trend is the increased commercialisation of local authorities, including investment in commercial property and in wholly owned companies including housing and energy companies. Challenges faced include weaknesses in councils' decision-making processes, the failure of investments and group companies, novel transactions, non-compliance with laws and regulations, serious weaknesses in accounts preparation, or even bribery and corruption allegations.

19. Acute financial pressure and risks arising from commercialisation have manifested in several recent high-profile examples across the local government sector. These include Section 114 Notices at Northamptonshire, Croydon, Slough, Nottingham City, Northumberland and Thurrock Councils.

20. Timely auditor reporting is of heightened importance where there are significant governance and financial failings. Inevitably, such complex issues take audit time as well as specialist input. The most challenging audits can absorb vast amounts of audit resource, sometimes running into several

thousand hours. This constrains the ability to progress other more routine audits.

Complexity of accounts and reporting requirements

21. Local authority accounts are inherently complex and many authorities are increasingly engaging in innovative or unusual projects, such as unusual lease agreements, trading companies, investments in commercial property or property trusts.

22. CIPFA's Code introduced International Financial Reporting Standards (IFRS) from 2010/11, recognising the framework as a gold standard of accounting which provides better quality financial information.

23. Since the introduction of IFRS, financial statements contain many estimates and assumptions, generally required to be set out in notes to the accounts. The impact is particularly notable in accounting for operational and investment property, pension liability balances and financial instruments.

24. Following the adoption of accruals accounting and IFRS by the sector, governments have sought to protect council taxpayers from volatility in taxation arising from accounting entries which do not have an immediate impact on cost of services. This has been achieved through 'statutory overrides' in secondary legislation. Whilst protecting taxpayers from short-term volatility, the overrides complicate the accounts and make them more difficult for the lay reader to understand. This increases the risk of error and omission in their preparation.

25. Another complexity of the current reporting framework has led to unnecessary delay in the conclusion of audits. Local authorities which administer local government pension funds are required to publish full Pension Fund accounts in the same document as their local authority accounts. This means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. Decoupling them would support more timely publication of audited accounts.

In summary, local authority accounts are overly complex and do not serve the needs of users. A consensus is needed on the revised financial reporting.

Quality of draft accounts

26. The quality of draft accounts presented for audit can have a significant bearing on the time taken to complete an audit. Whilst many sets of draft local authority accounts are prepared diligently and are free from material error, this is far from universal. In particular, where authorities are dealing with complex or unusual transactions – for example in respect of group or leasing arrangements – they may lack the skills and expertise to process the relevant accounting entries correctly.

27. Where draft accounts are not reflective of relevant facts and circumstances, auditors should challenge underlying accounting treatments. This can result in material and sometimes fundamental amendment of the accounts. Such amendments cause duplication of effort. They can also delay planned timetables and result in publication being delayed.

28. As highlighted earlier, the sector has seen an increase in new and complex arrangements. Too often, accounting implications are not understood by authorities. In addition, auditors are often not sighted on such transactions until receiving draft accounts.

29. Understandably, accountants may not have prior experience of similar arrangements. Incorrect accounting may have a real impact on balances and reserves. We regularly see authorities being reluctant to commission external accounting advice. In many cases, accounting advice is eventually commissioned which, had it been available at the outset, could have saved both cost and time.

30. Proper completion of the CIPFA disclosure checklist and thorough proof-reading and internal challenge of the draft accounts can make a significant difference to the quality of draft accounts submitted for audit.

31. Unfortunately, the quality of too many financial statements and working papers are not adequate. Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.

Responding to the audit process

32. Developments in the local authority sector and in technology have led to a significant increase in the complexity of financial systems. More complex systems require increased technical expertise in their set-up, administration and oversight.

33. Additional audit work is required to understand data sources and test manual adjustments for appropriateness, as well as undertaking planned audit procedures. Populations obtained for sampling can often consist of a large volume of transactions, including debits and credits rolled forward for a number of years. Significant time can be spent in cleansing populations or selecting further items to test.

34. Evidence received during audits also varies in quality. With thorough and well-explained evidence, testing can be completed quickly and efficiently, however where it is weak and lacking in detail the testing process takes much longer.

35. With increased audit focus on property valuations and pension liabilities, authorities should be prepared to respond to audit queries and challenge on underlying assumptions including data inputs and the bases of valuation.

36. A well-documented accounts closedown process, which captures key data sources, internal and external contacts and their responsibilities and a well-organised approach to working paper preparation, review, version control and filing all help to smooth the audit process and add resilience should there be a change of finance personnel.

37. Clear and disciplined focus on the part of both preparers and auditors on what can be done early is also paramount. It is good practice for this to begin with an open and honest debrief at the end of each audit cycle, with a view to continuous improvement.

38. In our experience, the audit process works efficiently and effectively where there is regular communication and collaborative working between the auditor and audited body.

Capacity

39. Local audit is a highly specialised field. Auditors need a depth of knowledge and sector experience along with an understanding of key legislative and regulatory provisions. Local auditors also have a broader remit than their commercial counterparts, with responsibility for assessing local bodies' arrangements to secure VfM, and quasi-judicial roles on public objections to accounts and public interest reporting.

40. Significant numbers of experienced audit staff have left the audit profession in recent years, moving into non-audit roles within firms providing audit services and into the public and wider private sector. A combination of long working hours, the compression of deadlines, pay constraint and also a significantly expanded audit has proven unattractive for new and experienced auditors alike.

41. Local authorities have experienced similar pressures in maintaining capacity in their finance teams. The limited availability of staff with the relevant qualifications, skills and experience to deal with the complexity of work, compile working papers and financial statements of a high standard within the time available has made preparation of accounts increasingly challenging. In a sector with an ageing demographic, there is a growing need to recruit and train the public sector finance professionals of the future.

42. In October 2022, PSAA announced the outcome of its latest procurement. Six suppliers were successful, with the scale of the contracts varying depending upon the capacity of the supplier. Three existing firms, Grant Thornton, Mazars and Ernst & Young, will continue. KPMG returns to the market, alongside two new suppliers, Bishop Fleming and Azets. The two new entrants will serve just 7% of the market.

43. PSAA also advised bodies to anticipate a major re-set of total fees for 2023/24, involving an increase in the order of 150% on the total fees for 2022/23. This level of increase, which goes a considerable way towards reversing a decade long series of fee reductions, should give audit firms the confidence to invest for the future. It will help to ensure audit quality as well as

increasing capacity and making it easier to retain experienced auditors. The fee increase is welcome, but does not mask the challenges in building capacity and clearing backlogs.

Governance

44. Leadership, behaviour, culture and appropriate financial management are all important, so having the right members on an audit committee, with an appropriate remit and training for those involved is key.

45. CIPFA has prepared guidance for audit committee members. This incorporates legislative changes and new expectations following the Redmond Review as well as a knowledge and skills framework.

46. We agree with Redmond's recommendations in relation to governance and where applicable we encourage audit committees to understand the reasons for delays in publication of audited accounts. Whilst recognizing that delays can and do occur, audit committees should hold management and auditors to account for preparing and monitoring delivery plans.

Recommendations

47. As we have outlined in this submission, there remain many challenges ahead if local audit is to come through its current crisis. The following are in our view the key priorities for regulators, the government, local authorities and auditors:

For FRC, ARGA and Government

R1. To determine how to deal with the backlog of local government audits. In particular, to consider whether temporary flexibility can be introduced into the local audit framework to allow reduced scope audits to be undertaken on backlogged accounts. We consider this would be of benefit to the local government entities freeing them up for more forward-looking activities with limited detrimental impact on the users of the financial statements given some outstanding financial statements date back to 2019.

For FRC and ARGA

R2. To determine and agree with Government the purpose of local audit and the required focus on the financial statements and value for money audit elements respectively, particularly in relation to the audit of land and building assets.

R3. To consider whether local auditors can be represented as key stakeholders in local audit system meetings convened by the new Director of Local Audit.

R4. To consider whether Annual reports on the state of local audit should highlight instances of poor financial reporting and longstanding delay to the publication of both unaudited and audited accounts.

For Government

R5. To require statutory officers to attest to the effectiveness of their financial reporting process, in line with Sir Donald Brydon's recommendation. This should form part of Government account requirements and non-compliance should result in intervention.

R6. To introduce intervention with commissioners where authorities do not afford sufficient priority to their financial reporting responsibilities.

R7. To decouple the reporting requirements for Pension Funds and Administering Authorities.

For FRAB, CIPFA LASAAC and Government

R8. To reframe the accounting code to ensure financial statements provide the information needed by Government and elected members to manage and govern the local government sector. This should include consideration of Whole of Government Accounts (WGA) requirements, particularly with regard to compliance with IFRS.

R9. To address Redmond's recommendation for summarised and accessible financial information to be made available to citizens, either through specifying required content within Narrative Reports or by introducing a standardised summary statement.

For local authorities

R10. To make new investment in and keep under review the adequacy of in-house financial reporting skills, paying close attention to succession planning and professional training, and look to collaborate with other authorities or commission independent support where additional capacity or expert advice is required.

R11. To ensure more consistent and robust completion of CIPFA's Disclosure Checklist and allow adequate time for robust internal quality assurance before draft accounts and working papers are presented for audit.

R12. Where significant accounting estimates are made, ensure the underlying assumptions and judgements are clearly documented and that appropriate experts are employed by the local government entity to support management on these judgements and estimates. These judgements should routinely be reported to Audit Committees.

For Audit Committees

R13. To hold management and auditors to account for preparing and monitoring delivery plans.

R14. To undertake a regular assessment of whether they have appropriate membership, training and access to the professional support they need to effectively discharge their responsibilities.

R15. To report to full Council on an annual basis with their assessment of the accounts preparation and audit process.

For auditors

R16. To focus on continuous improvement in delivering work early and fostering effective working relationships where changes and potential complexities are identified, discussed and planned for as soon as practicable.

R17. To consider whether to issue statutory recommendations where significant failures in financial reporting or governance are identified, delays become unacceptable or where insufficient attention is paid to timely financial reporting.

R18. To focus on making local public audit a more attractive career choice and promote the value of public sector audit and the wider societal benefits of robust and independent scrutiny.

R19. To support the local audit workforce strategy led by the Financial Reporting Council.

February 2023

Appendix 2

TAR0002

Written evidence submitted Local Government Association (LGA)

The Local Government Association (LGA), as the national voice of local government, welcomes the opportunity to submit evidence on introducing timeliness of local auditor reporting.

As set out in the conclusions of the report from the National Audit Office (NAO) on the timeliness of local auditor reporting, it is clear local audit is in crisis. The late delivery of audit opinions is concerning to councils, given the important role that external audit plays in assurance over taxpayers' money both centrally and locally. This crisis is following increasing financial challenge and service pressures on local authorities since 2010, with the recent COVID-19 pandemic and increased audit demands exacerbating long-standing problems in the audit landscape.

The LGA recognises there are a number of causes to this crisis including the limited number of firms within the market and a shortage of suitably qualified auditors working for those firms. A survey of councils' experience of local audit undertaken by Public Sector Audit Appointments (PSAA) last year found that the main reason given for delayed audits was resourcing issues on the part of the auditor. While we do not disagree that a shortage of resources and capacity in councils, particularly of suitably qualified staff, will also have had an impact on the timeliness of audit, feedback from our members suggests that long-term causes of delays are more related to the pressures on auditors. It remains the case that a big majority of councils have approved their draft (unaudited) accounts on time each year.

This situation has been made worse by additional work for auditors caused by tighter and stricter regulation of auditors following audit failures in the private sector. In particular, some of the current problems with local audit are perceived to stem from auditors having to spend time on valuations of assets where the value of the asset plays little or no role in the decision making or accountability of the local authority, for example, infrastructure assets such as roads. We do not believe this to be a good use of scarce audit resources. Furthermore, service demands on local bodies have increased considerably due to the COVID-19 pandemic.

Following the recommendations to improve audit delays made in the Redmond Review, the Government responded in December 2020. We support the Government's response and the measures proposed. We also welcome the announcement of £45 million of funding to support councils to implement changes needed to respond to new audit requirements and Redmond's recommendations. With the important role that external audit plays in assurance, local audit delays must be a high priority with further measures implemented urgently. Whilst it has been acknowledged in the NAO's report that some actions have been taken to address delays, we support the NAO's call for the Government to set out a detailed timetable outlining the steps to be taken and when and the time by which it expects to restore timely audited accounts.

We also welcome the creation of the Audit Reporting and Governance Authority (ARGA) as system leader as well as the appointment of a new Director of Local Audit to lead it. However, it is unlikely that the ARGA will be fully functioning until 2024 at the earliest. In the meantime, the new Director of Local Audit, temporarily based in the Financial Reporting Council (FRC) on behalf of DLUHC, is acting as system leader. At the time of writing, the memorandum of understanding between DLUHC and FRC outlining how this will work has not been published. We would therefore welcome clarity on this and on plans to improve the local audit system.

We welcome the move of the deadline for published audited local authority accounts to 30 September for six years, until the end of the next appointing period. This was a necessary move to enable the new audit contracts to be procured. In March 2021, the deadline for preparing draft (unaudited) accounts had been extended 31 July for 2021 and 2022. Unless DLUHC takes action, the deadline for preparing draft (unaudited) accounts will revert to 31 May from 2023. In a paper entitled "Measures to improve local audit delays" published in December 2021, DLUHC said this reversion would be "subject to consultation". This consultation was eventually published on 16 February 2023 and was open for just two weeks.

We are calling on DLUHC to extend the 31 May deadline to 30 June for preparing draft (unaudited) accounts for the 2022/23 year and onwards. For the past two years, most councils have been able to finalise their draft accounts by the published deadlines of 31 July but will be under greater pressure to do this for their 2022/23 accounts if the deadline reverts to 31 May 2023. We therefore believe a deadline of 30 June is more realistic. Given the extension of the audit deadline to 30 September, it is unlikely that audit work will be planned to commence soon after 31 May and so reverting to this earlier deadline will cause an unnecessarily tight turnaround for councils. This could also impact on the quality of draft accounts delivered for audit which could, perversely, create more work and lead to further delays.

As announced by PSAA, new contracts will apply from the 2023/24 audit following a procurement during 2022. There is a likelihood of a major re-set of audit fees for 2023/24, involving an increase in the order of 150 per cent on the total fees for 2022/23. With councils already facing a range of financial pressures, we are calling for this significant increase in fees to be reflected in future allocations of funding and resources to local authorities.

March 2023

Written evidence submitted by Mr Kelvin Menon

I have had a career spanning more than 15 years in both Local Government and latterly the Police. There is no doubt in my mind that the Local Auditor model we have in place simply does not work. Up to about 10 years ago almost all local bodies met the deadlines for preparation of accounts and auditors achieved the necessary reporting timescales. Then things began to slide and, following the impact of Covid, the system seems to be broken. I do not believe there is a single reason as to why this has happened, which makes a quick fix difficult, and it has been the result of a number of different factors which I set out below:

1. <u>The increasing technical and reporting complexity of accounts</u>

   The financial statements for even a small Council can exceed 100 pages. The rush to compliance with IFRS and a “one size fits all” stance for reporting has made the action production of accounts a very time consuming process which requires a high level of technical skills. Despite all of this increased reporting and disclosure the accounts have actually become even more impenetrable to tax payers.

2. <u>Compliance with accounting standards that have little relevance in public accounts</u>

   A significant amount of time is wasted by preparers and auditors on areas that actually have no relevance to the accounts due to the way public accounting works. In my own authority our audit opinion is delayed as we argue over the value of our Police Headquarters in the accounts. We have, at great cost, obtained a professional valuation for existing use but the auditors disagree as to the assumptions made by the valuer. In the end as the asset is in use the value does not really matter as we have no intention of selling it and any increase or decrease in value gets reversed out by capital accounting rules. A relaxation of accounting requirements for these sorts or areas would speed up the process and reduce costs immensely. Surely it cannot be too hard to have a reduced reporting regime for smaller entities as is the case with Corporate Entities?

3. <u>Auditors fear of the FRC</u>

   There have clearly been some audit failings in the private sector audit market as has been evidenced by the number of fines imposed on some firms. This has coloured audit firms attitudes to risk – even in respect of public sector organisations where no such issues have been apparent – and so made the audit so much more intensive and time consuming than it needs to be. When challenged as to why such and such is being audited in such detail the repost is always that it is being done because that’s what the FRC requires.

   <u>Shortage of skilled staff</u>

   The audit commission provided a steady stream of auditors and accountants skilled in public audit. Now public audit is reliant on getting its recruits from the larger pool of qualified accountants and corporate auditors. Unless public audit can be made as attractive as corporate audit it will continually be the poor relation. Firms need to do more to set up a dedicated public audit training scheme to try and increase the numbers of staff available. On authorities the increasing complexity of accounts means more skilled staff are needed – these are difficult to find especially for smaller bodies. This can mean that accounts are not prepared to the required standard leading to further delay and increased work for auditors

4. Increasing complexity of local Government Operations

   Councils are increasing involved in commercial activities, joint ventures, subsidiary companies all of which add to the complexity and risk for the audit. This means that they take more time and cost more

5. Lack of Capacity in the Public Audit Market

   Due to the tight profit margins and barriers to entry there is very little capacity in the audit market. This can only be remedied by either setting up a public audit body, like the audit commission, to take on public audits or by allowing more firms to enter the market even if they have no public audit experience. There are many local audit firms in the top 100 which no doubt would like to enter this market but are deemed to not have the requisite expertise. This is despite public audits being done to the same standards and reporting requirements, with a few exceptions, as corporate entities. Opening up the market would not only bring in more capacity but could also drive value. That said there also needs to be a recognition that if public accounts are going to be held and judged to the same standard as Corporate accounts then the fees need to comparable. The auditor's fee for a £1bn County council is significantly lower than that charged for a £1bn turnover company and yet both require the same level of professional rigour.

Fundamentally though the question has to be asked what and who are the accounts and public audit for? If the accounts and audit or there to give local taxpayers information and confidence in the finances of their local Council for example then they are clearly not fulfilling that function. A little more focus on that and rather less on technical compliance would probably not go amiss.

March 2023

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

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28 March 2023

Reason for Decision

The workplan below sets out the schedule of Audit Committee meetings for 2022/23, including meeting date and venue, agenda item and brief summary of the report issue. It also sets out some key issues for consideration by the Committee in 2023/24.

Executive Summary

The workplan is updated and reviewed on a regular basis and the current 2022/23 schedule is attached below. The plan has been shaped by the Council's formal reporting structures and the timings of the meetings and agenda items were scheduled to reflect this. Any urgent or new developments can be added to the workplan accordingly.

Recommendations

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

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 9 June 2022 at 6.00 pm	SIRO Annual Report 2021/22	This is the Annual Report of Senior Information Responsible Officer to the Audit Committee.
	Audit of Housing Benefit Subsidy 2020/21	This is the reported outcome of the audit of the Housing Benefit Subsidy Grant undertaken by KPMG in relation to the 2020/21 financial year.
	Director of Finance – Charged with Governance, Management Processes and Arrangements.	The draft response of the Director of Finance to provide key assurances to support the Audit Process which are then discussed by the Committee.
	Audit Committee Chair – Charged with Governance, Management Processes and Arrangements.	The draft response of the Audit Committee Chair to provided key assurances to support the Audit Process which are then discussed by the Committee.
	Local Code of Corporate Governance	This is an update to the previously agreed Local Code of Corporate Governance.
	Internal Audit Charter 2022/23	This is the annual update to the Internal Audit Charter for discussion at the Audit Committee.
	Internal Audit and Counter Fraud Progress Report.	An update report on the progress made by the Internal Audit Service.
Tuesday 21 June 2022 at 6.00 pm	2021/22 Annual Report to Audit Committee	This is the Annual Report of the Chief Internal Auditor on the overall Internal Control Environment of the Council for the financial year 2021/22.
	Draft 2021/22 Annual Statement of Accounts	This is the report to the Audit Committee on the draft Statement of Accounts which also details the provisional out-turn for the financial year 2021/22.
	Reserves Policy for 2021/22 to 2022/23	This is the annual update to the Reserves Policy considering the provisional out-turn for the financial year 2021/22.
	Treasury Management Review 2021/22	The annual review of Treasury Management for 2021/22 by the Audit Committee.
	Annual Governance Statement for 2021/22	The detailed review of the Annual Governance Statement by the Audit Committee.

Updated Audit Committee Work Programme for the 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.
	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.
	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 external audit. It will detail the consultation outcome on Infrastructure Assets and the potential impact on the Council.

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	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. **Item not considered as meeting finished early**
	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. **Item not considered as meeting finished early**
	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. **Item not considered as meeting finished early**
	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. **Item not considered as meeting finished early**
	Private Report; Potential Risks to the Council arising from the setting up of Northern Roots (Oldham) Limited	This report sets out the analysis of risk to the Council from the Charitable Company Northern Roots (Oldham) Limited. **Item not considered as meeting finished early**
Tuesday 1 November 2022, 6.00pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	2021/22 Annual Statement of Accounts	This report provides an update on the 2021/22 draft Statement of Accounts and associated issues arising from the external audit. It will detail the consultation outcome on Infrastructure Assets and the potential impact on the Council.
	Treasury Management Mid-Year Review 2022/23	The planned scrutiny of the 2021/22 Treasury Management Mid-Year review before submission to Cabinet in November.
	Update on General Matters	This is an update on Regulatory developments to inform the Audit Committee in support of its Governance role.
	Annual Governance Statement 2021/22	This report details the proposed Final Annual Governance Statement for 2021/22.
	2022/23 Internal 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.
	Updated 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; Appointment of External Auditor 2023/24 until 2027/28	This report details the proposed appointment of the External Auditor following the Public Sector Audit Appointments Procurement Exercise.
	Private Report; Potential Risks to the Council arising from the setting up of Northern Roots (Oldham) Limited	This report sets out the analysis of risk to the Council from the Charitable Company Northern Roots (Oldham) Limited.
	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.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Tuesday 29 November 2022, 6.00pm.	External Audit Update Report	The report presents an update on the progress of the external audit into the 2021/22 Statement of Final Accounts.
	2021/22 Annual Statement of Accounts	This report provides an update on the progress of the audit on the 2021/22 Statement of Final Accounts.
	Review of Corporate Fraud Policies	A review of the updated Counter Fraud suite of policies to reflect recent legislation.
	The Financial Reporting Council (FRC) 2022 reports	This report updates the Committee on the transition of the FRC to the Auditing Reporting and Governance Authority. It also details the findings from the Quality Review of Local Authority and National Health Service audits undertaken across the public sector in the calendar year 2022.
	The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee Guidance Documents	This report sets out the updated guidance issued by CIPFA in respect of the best practice to follow in operating an Audit Committee.
	Updated 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 Corporate Risk Register	This sets out the position as of 30 September 2022 in relation to matters included on the Corporate Risk Register.
	Private Report; Senior Information Risk Owner update	This updates the Audit Committee on the key matters relating to data protection and information security breaches.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Monday 16 January 2022, 6.00 pm	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of the Committee.
	Public Sector Audit Appointments – confirmation of Mazars LLP as the Council's external auditor for 2023/24 to 2027/28.	This report confirms the appointment of Mazars LLP as the Council's external auditor following the procurement exercise they undertook.
	External Audit of Teachers' Pensions Agency Return 2021/22	This report considers the feedback following the external audit of the Teachers' Pension Agency return.
	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.
	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; Potential Risks Associated with Council's setting up a Housing Company	This follows on from the 21 July 202 report on Partnership Governance whereby the Committee requested a report on the perceived risks associated with setting up a Housing Company within Oldham.

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Partnership Risk Dashboard	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 September 2022 in relation to matters included on the Corporate Risk Register.
Tuesday 28 March 2023, 6.00pm		
	Audit Completion Update 2021/22	Update on the progress of the preparation of the Audit Completion Report for 2021/22
	2021/22 Annual Statement of Accounts - Update	Update on the progress of the audit of the 2021/22 accounts and related matters
	2022/23 Final Accounts – Proposed Accounting Policies and Critical Judgements	In line with best practice, approval is sought for the significant accounting policies and critical judgements to be adopted in preparation for the completion of the 2022/23 Statement of Accounts
	Housing Benefit Subsidy Audit 2021/22	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Internal Audit Charter 2023/24	An updated Internal Audit Charter for the financial year 2023/24
	Update on General Matters	This is an update on Regulatory developments to inform the Audit Committee in support of its Governance role.
	Updated Audit Committee Work Programme for 2022/23	An updated programme completing the work for the 2022/23 financial year and setting out some key issues for 2023/24
	Private Report; 2023/24 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2023/24 to enable review by the Committee.
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register at quarter 3 2022/23

Updated Audit Committee Work Programme for the 2022/23 Municipal Year

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	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.
	Senior Information Risk Owner Update	This is an update report of the Senior Information Responsible Officer to the Audit Committee.
Reports for consideration during 2023/24		
	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.
	External 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.
	External Audit Completion Report and Final Statement of Accounts 2021/22	The report details the findings of the external audit into the 2021/22 Statement of Final Accounts
	Internal Control Matters for Adult Social Care	This is the report to Committee on Internal Control Matters within the Adult Social Care Service.
	Review of the System of Internal Audit by the Audit Committee	An annual review of the Internal Audit Service
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24	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.

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Agenda Item 15

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