

**AUDIT COMMITTEE**  
**27/06/2023 at 6.00 pm**



**Present:** Mr Grenville Page (Independent Chair)  
Councillors Akhtar, S. Bashforth, Birch, Ghafoor, Harkness  
(Substitute), J. Harrison (Substitute), Murphy and Woodvine

Also in Attendance:

Anne Ryans – Director of Finance  
Mark Stenson – Assistant Director of Corporate Governance and  
Strategic Financial Management  
Chris Kelsall – Assistant Director of Finance  
John Miller – Head of Internal Audit and Counter Fraud  
Lee Walsh – Finance Manager (Capital and Treasury)  
Yogita Das Patel – Mazars LLP (External Auditors)  
Peter Thompson – Constitutional Services

**1            APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Al-Hamdani, Davis, Salamat and Sykes.  
Councillor Harkness attended as the substitute for Councillor Sykes, Councillor J. Harrison attended as the substitute for Councillor Davis and Councillor Murphy attended as the substitute for Councillor Al-Hamdani.

**2            URGENT BUSINESS**

There were no items of urgent business received.

**3            DECLARATIONS OF INTEREST**

Councillor S. Bashforth declared a personal interest in agenda item 7 (2022/23 Annual Report to Committee), insofar as he was a Council appointee to the governing body of MioCare Limited.

**4            PUBLIC QUESTION TIME**

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

**5            MINUTES**

Resolved:

That the Minutes of the meeting of the Audit Committee, held on 8<sup>th</sup> June 2023, be approved as a correct record.

**6            UPDATE ON EXTERNAL AUDIT MATTERS**

The Committee received a report that had been prepared by the Council's external auditors, Mazars LLP, which provided members with an update on the progress in delivering their responsibilities as the authority's external auditors. The report detailed the progress made on the external audit of the draft Statement of Final Accounts for 2021/22 and outlined the planned audit approach to the audit of the 2022/23.

The Committee was informed that the final remaining responsibility in respect of the 2020/21 financial year related to

the Council's Whole of Government Accounts (WGA) return. As requested by the National Audit Office, in December 2022, the external auditors had submitted their auditor statement for their WGA group audit purposes. They were still awaiting the NAO to clarify whether they required any work to be carried out on the Council's WGA return.

In respect of the 2021/22 financial statements audit, the external auditors had reported their draft Audit Completion Report to the Audit Committee's meeting on 28<sup>th</sup> March 2023. Since that meeting, the auditors had progressed the outstanding issues as follows:

- a. Pensions – the Council's actuary had completed their triennial valuation of Greater Manchester Pension Fund. This valuation was based on actual rather than estimated membership data as at 1 April 2022, and as such provides more up-to-date evidence of conditions as at 31 March 2022. The Council, it was reported, were in the process of obtaining a revised valuation of its net pension liability. If this identified a material difference to the draft accounts, the Council would update its financial statements to reflect the latest valuation.
- b. The auditors would complete their final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

The planning for the 2022/23 audit was underway. The external auditors had highlighted a change to an auditing standard (known as ISA 315) which applied from 2022/23. They had included, at section 3 of their report before the Committee, a summary of the changes and the expected impact on their audit work. The Council's finance team had submitted draft accounts on 31 May 2023, in line with the statutory deadline. Therefore the auditors reported that they would bring their Audit Strategy Memorandum to the next Audit Committee, and their accounts work, for 2022/23, was due to commence in July 2023.

Resolved:

That the report be noted.

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## **2022/23 ANNUAL REPORT TO COMMITTEE**

The Committee received a report of the Head of Audit and Counter Fraud which provided Members with the Annual Report for 2022/23 and reported back on the matters required by International Auditing Standards, and the 2013 UK Public Sector Internal Audit Standards (Revised 2017).

The report summarises the work of Internal Audit and Counter Fraud Team carried out for the financial year 2022/23 which informs the Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023.

The Annual Report for 2022/23 has the following sections detailed below:

- a. Appendix 1: Annual Report and Opinion of the Head of Audit and Counter Fraud on the System of Internal Control for the year ended 31 March 2023, to assist the Committee's review of the 2022/23 Annual Governance Statement (AGS) and to assist with the review of the Statement of Accounts.
- b. Appendix 2: Counter Fraud and Direct Payments Teams comparative data 2020/21 to 2022/23.

The 2022/23 Annual Governance Statement (AGS) is reported elsewhere on this agenda, and it identifies eight significant issues for the Council to mitigate its risks during 2023/24. The progress made in mitigating these risks will be reported regularly to the Audit Committee.

The financial year 2022/23 had proved again to be a challenging year due to the Council returning to operate as business as usual with the residual impact of the pandemic providing some challenges. In terms of the work of the Internal Audit Service, additional work was again undertaken to support the administration of business grants. Effort was however concentrated on ensuring the work on fundamental financial systems was prioritised

Resolved:

That the Annual Report presented by the Head of Internal Audit and the continued developments in overall internal control and financial administration across the Council be noted.

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## **DRAFT 2022/23 ANNUAL STATEMENT OF ACCOUNTS**

The Committee received a report of the Director of Finance that presented the Council's draft Statement of Accounts for the financial year 2022/23.

The report highlighted:

- a. The overall revenue outturn position for 2022/23 was a deficit of £1.147m.
- b. The year-end variances that are attributable to each Portfolio.
- c. The level of un-ringfenced and un-ringfenced grants received and used in 2022/23 including those grants received specifically to support COVID-19 legacy/recovery costs, the cost of living crisis and to support those fleeing the conflict in Ukraine.
- d. School's balances at 31 March 2023 were £8.381m.
- e. The Dedicated Schools Grant (DSG) surplus was £0.899m which is split between an unusable reserve and an earmarked reserve according to statute.
- f. The final Housing Revenue Account (HRA) balance was £22.585m.
- g. The balance on the Collection Fund was a surplus of £3.717m.
- h. The revenue account earmarked reserves at £79.130m, Revenue Grant Reserves of £7.968m, plus School Balances as above and the DSG reserve at £3.672m.

- i. Expenditure on the Council's Capital Programme for 2022/23 was £58.787m against the revised Capital Programme in 2022/23, resulting in a variance of £8.426m compared to the projected outturn of £50.361m at month 9.
- j. The significant items in each of the primary financial statements.
- k. The preparation of Group Accounts incorporating the Council's subsidiary MioCare Community Interest Company.
- l. The sterling performance of the Finance Team in closing the accounts.

The Committee was advised that the presentation of the draft Statement of Accounts was in line with good practice, providing members of the Audit Committee with the opportunity to review the Council's year-end financial position before they were required to formally approve the accounts.

The Council had submitted its draft 2021/22 financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which was within the statutory deadline and the Council's internal deadline as agreed with the External Auditor.

The Council's External Auditor Mazars LLP had been able to issue a draft Audit Completion report for the 2021/22 accounts and this had been presented to the Audit Committee on 28 March 2023. The Committee were advised that the Accounts had been prepared to a high standard, but the audit could not be fully completed due to technical accounting issues. There was firstly a delay in the completion of the audit due to a sector-wide accounting issue relating to the valuation of infrastructure assets (roads, bridges etc).

A temporary resolution was reached in December 2022, with the introduction of a statutory override which applied to the accounts for 2021/22 and the accounting periods to 31 March 2025. The Council's 2021/22 financial statements were updated to incorporate the relevant changes and the External Auditor was able to complete this element of the audit and issue the draft Audit Completion report.

The second delay to the sign off of the 2021/22 accounts related to the valuation of the assets of the Greater Manchester Pension Fund (GMPF) and the audit of the GMPF. This outstanding item has two elements, one national issue and one local, both of which are outside the direct control of the Council relying on action from both the GMPF, which administers the Local Government Pension Scheme for Oldham and the other Councils in Greater Manchester, and Mazars LLP. The Council is awaiting information requested from the Pension Fund actuary to resolve the queries. When the information is received, the Council Will be able to assess the impact on the 2021/22 accounts and once a resolution to both matters has been agreed with the External Auditors, it would be possible for the audit for 2021/22 to be completed.

Resolved:  
That the Committee notes the Council's draft Statement of Accounts for 2022/23.

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### **DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2022/23**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the draft Annual Governance Statement included within the draft Statement of Accounts for the financial year 2022/23. The submitted report supported the draft Statement of Accounts and Annual Report, presented separately on the agenda for this meeting.

The Council, as part of its Statement of Accounts is tasked to produce an Annual Governance Statement. This identifies the significant governance issues that the Council needs to consider at the financial year-end to reduce its future risk. In the Municipal Year 2022/23 there were two reports which presented the draft Annual Governance Statements to the Audit Committee. The first of these was at the meeting held on 21 June 2022, which considered the draft Statement of Accounts. The second draft was to the meeting on 1 November 2022, that reflected minor changes to an update of matters occurring since 21 June 2022. At regular meetings of this Committee, update reports were produced highlighting the progress made on issues identified for improvement in the Annual Governance Statement which supported the Statement of Accounts for the financial year 2021/22 and the new issues that might require consideration for inclusion in a future Annual Governance Statement. This had in turn informed the production of the Draft Annual Governance Statement for 2022/23 (which was attached at Appendix 1).

Since the production of the Annual Governance Statement within the unaudited Statement of Accounts provided for audit by the Statutory deadline, an issue has been highlighted in correspondence with the Department of Education in respect of Note 6 and the reporting of the Dedicated Schools Grant (DSG) deficit covering the financial year 2021/22. As the Authority had accounted for DSG correctly in 2022/23 and the reporting changes impacted on the financial year 2021/22, it did not materially impact on the Annual Governance Statement supporting the 2022/23 accounts and the 2021/22 accounts. It was therefore not considered appropriate to adjust the Annual Governance Statement but had been included in this report for information purposes.

Resolved:  
That the report be noted.

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### **RESERVES POLICY FOR 2022/23 TO 2023/24**

The Committee considered a report of the Director of Finance that presented to Members the Audit Committee, the proposed Reserves Policy of the Council for the financial years 2022/23 to 2023/24.



The Council has developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy. The aim was to improve the transparency of the level of and the use of reserves. There had been several reports issued on Local Government Financial Resilience over the last few years and as a response the Chartered Institute of Public Finance and Accountancy released its Financial Resilience Index, most recently in December 2022. This Index placed an increased focus on the level of reserves held by Local Authorities and therefore its ability to be financially resilient. Members of the Committee were advised that over the past few years a small number of Councils have issued notices under Section 114 of the Local Government Finance Act 1988 meaning they are not able to maintain a balanced financial position without the implementation of significant management action and that Government have appointed Commissioners to a number of Local Authorities over the last three financial years as more Authorities were experiencing financial distress.

The Reserves Policy was therefore presented to the Committee for review but also to provide assurance that the Council manages its reserves effectively and presents the Council's strategic approach to the creation and maintenance of reserves.

A member requested that a report analysing the Council's reserves position and policy in relation to the upcoming Financial Resilience Index be presented to a future meeting of the Committee.

Resolved:

1. That the Committee approves the Reserves Policy for 2022/23 to 2023/24, as presented and endorses to the Council on their suitability from a governance perspective.
2. That a report analysing the Council's reserves position and policy in relation to the upcoming Financial Resilience Index be presented to a future meeting of the Committee.

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### **TREASURY MANAGEMENT REVIEW 2022/23**

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2022/23 the minimum reporting requirements were that full Council should receive the following reports:

- a. an annual treasury strategy in advance of the year (that was approved by Council on 2<sup>nd</sup> March 2022)
- b. a mid-year (minimum) treasury update report (that was approved by Council on 14<sup>th</sup> November 2022)

- c. an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment placed responsibility on Audit Committee Members for the review and the scrutiny of treasury management policy and activities. This report was therefore considered to be important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The Council had confirmed that it had complied with the requirements under the Code to give prior scrutiny to the treasury strategy and the mid-year update. The Audit Committee was the body charged with the scrutiny of treasury management activities in Oldham and was therefore requested to review the content of this annual report prior to its consideration by Cabinet and Council (to ensure full compliance with the Code for 2022/2023).

Resolved:

1. The Audit Committee approves the actual 2022/23 prudential and treasury indicators presented in this report
2. The Audit Committee approves the annual Treasury Management Review report for 2022/23
3. The Audit Committee commends the report to Cabinet.

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#### **PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) EXTERNAL QUALITY ASSESSMENT (EQA) 2022/23**

The Committee considered a report of the Head of Audit and Counter Fraud which noted that Oldham's first independent external assessment had been conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2017/18, and the second, and latest, review had been conducted in March 2023, again by CIPFA.

There were three overall opinions on which the External Assessor can conclude. These were that the Service either:

- a. Generally Conformed to the Standard.
- b. Partially Conformed to the Standard.
- c. Did not Conform to the Standard.

The overall opinion of the latest external assessment of the Internal Audit Service at Oldham, undertaken by CIPFA, was that the service Generally Conformed to the Public Sector Internal Audit Standards.

The assessor also highlighted that there were no areas where Oldham's Audit Service Partially Conformed with the standard, or where the Audit Service did not conform with the standard.

The Committee was advised that all public sector internal audit services were required to measure how well they were conforming to the standards. This was achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods.

However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once every 5 years from 1<sup>st</sup> April 2013. The Committee's report detailed the outcome of the external assessment undertaken during March 2023. In previous years the Audit Committee had undertaken a self-assessment of the System of Internal Audit using a Balanced Scorecard approach.

Resolved:  
That the report be noted.

The meeting started at 6.00pm and ended at 8.05pm

