

***AUDIT COMMITTEE***  
***Agenda***

Date Thursday 20 July 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. 0161 770 5151 or email [Constitutional\\_Services@oldham.gov.uk](mailto:Constitutional_Services@oldham.gov.uk)

3. PUBLIC QUESTIONS - Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the contact officer by 12 noon, Monday, 17 July 2023.

Please also note the Public attendance Protocol on the Council's Website

[https://www.oldham.gov.uk/homepage/1449/attending\\_council\\_meetings](https://www.oldham.gov.uk/homepage/1449/attending_council_meetings)

**MEMBERSHIP OF THE AUDIT COMMITTEE**

Councillors Akhtar, Al-Hamdani, S. Bashforth, Birch, Davis, Ghafoor, Salamat, Sykes and Woodvine

Independent Members: Grenville Page

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 - 8)

The Minutes of the Audit Committee meeting held on 27 June 2023 for approval.

6 Final Accounts 2021/22 - Progress Update

Report to follow.

7 Report of the External Auditor - 2022/23 Audit Strategy Memorandum (Pages 9 - 50)

8 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care (Pages 51 - 62)

9 Update on General Matters (Pages 63 - 72)

10 Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution (Pages 73 - 92)

11 Treasury Management Update Quarter 1 Monitoring Report

Report to follow.

12 Revision to Finance Procedure Rules (Pages 93 - 184)

13 Amendments to Contract Procedure Rules and Proposed Future Revisions (Pages 185 - 216)

14 2023/24 Internal Audit and Counter Fraud Progress Report (Pages 217 - 226)

15 Audit Committee Work Programme for 2023/24 (Pages 227 - 236)

16 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

17 Update on the Annual Governance Statement for 2022/23 and new issues for 2023/24 (Pages 237 - 252)

18 Update on the Risk Management Strategy and Framework and Corporate Risk Register (Pages 253 - 280)



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

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

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## Report to Audit Committee

# Audit Strategy Memorandum 2022/23

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

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

**Contact.** [mark.stenson@oldham.gov.uk](mailto:mark.stenson@oldham.gov.uk)

**20 July 2023**

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### **Purpose of Report**

Attached to this report, at Appendix 1, is the proposed Audit Strategy Memorandum for the financial year 2022/23.

### **Executive Summary**

The Audit Strategy Memorandum sets out the proposed work to be undertaken by the external audit team on the 2022/23 Statement of Final Accounts including the Value for Money Opinion which is linked into the future financial resilience of the Council.

The report will be presented by the External Auditor.

### **Recommendations**

That Members of the Audit Committee note the Audit Strategy Memorandum for 2022/23.

# Appendix 1

## Audit Strategy Memorandum

Oldham Metropolitan Borough Council

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Year ended 31 March 2023



# Contents

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  - 02** Your audit engagement team
  - 03** Audit scope, approach and timeline
  - 04** Extended auditor’s report
  - 05** Significant risks, key audit matters and other key judgement areas
  - 06** Value for money
  - 07** Fees for audit and other services
  - 08** Our commitment to independence
  - 09** Materiality and misstatements
- A** Appendix A – Key communication points  
Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to Oldham Metropolitan Borough Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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Mazars LLP  
One St Peter's Square  
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20 July 2023

Dear Audit Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Oldham Metropolitan Borough Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Oldham Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07909 985 324

Yours faithfully



Daniel Watson

Key Audit Partner, Mazars LLP

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# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Oldham Metropolitan Borough Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

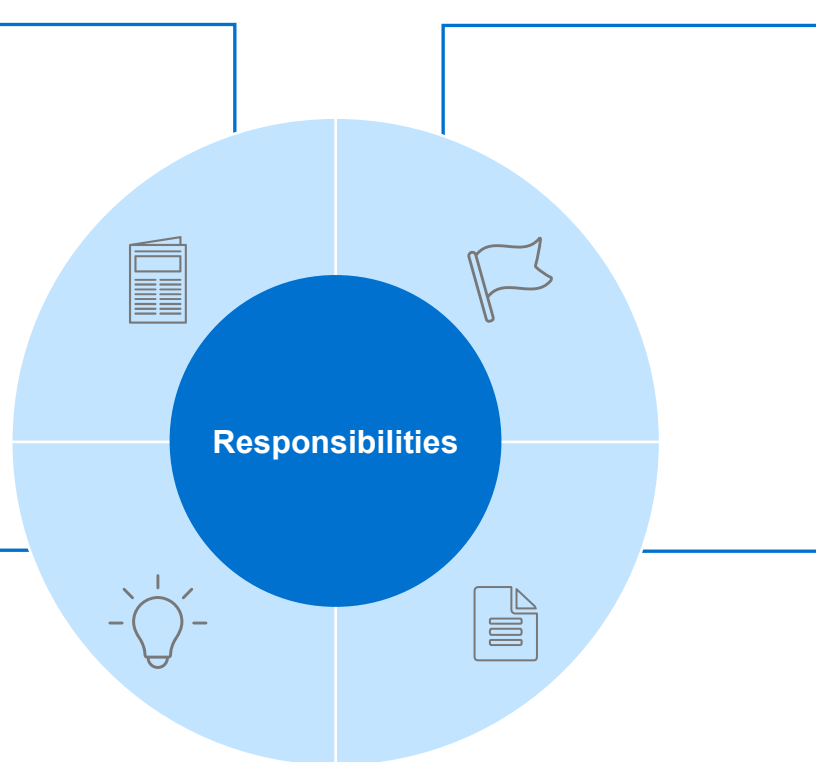
### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



# 02

Section 02:

**Your audit engagement team**

# 2. Your audit engagement team



**Daniel Watson**

**Key Audit Partner**

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In addition, an engagement quality control reviewer has been appointed for this engagement.



# 03

Section 03:

## **Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 9.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.





# 3. Audit scope, approach and timeline

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## Planning (March 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion (September 2023)

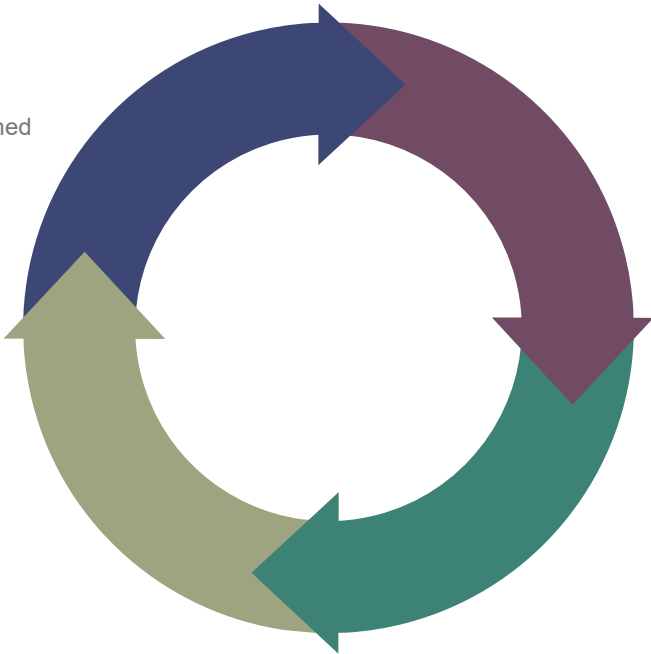
- Final review and disclosure checklist of financial statements
- Key Audit Partner and EQCR review
- Agreeing content of letter of representation
- Internal review and clearance of the Audit Report
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s report

## Interim (April 2023)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork (July-August 2023)

- Receiving and reviewing draft financial statements
- Reassessing the audit plan and revising if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Management’s and our experts

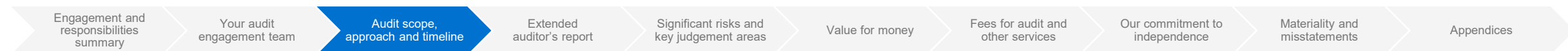
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – NAO’s consulting actuary
Valuation of Manchester Airport land	Colliers International Property Consultants Ltd	Mazars in-house valuation team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Mazars in-house valuation team
Valuation of Financial Instruments	Link Asset Services	We will review Link’s methodology for providing the fair value disclosures

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

There are no service organisations providing services to the Authority.



# 3. Audit scope, approach and timeline

## Group audit approach

The Council’s group structure for 2022/23 will include one wholly owned subsidiary company, Miocare Group Community Interest Company. In auditing the accounts of the Council’s Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council’s subsidiary companies.

Our approach will reflect the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council’s Group financial statements. Based on our planning discussions and review of previous year’s accounts, we do not consider either subsidiary company to be a financially significant component. However, we do consider that our significant risk relating to the Pension Liability, as set out in section 5, is a risk at the Group level and applies to the subsidiary companies as well as the Council.

Our planned approach, based on our initial understanding of 2022/23 and the values reported in the prior year financial statements, is to obtain assurance on the pension liability significant risk from carrying out our own audit procedures and we do not plan to obtain specific assurance from the component auditors of the two companies. Our planned approach for the remaining group financial statement entries is to undertake group level analytical procedures. The table below summarises our planned group audit approach.

If there are any changes to our assessment of the significance of the Council’s group components, either through the size and complexity or the significant risks at the components, we will communicate these changes to the Audit Committee.

Entity	Significant by size	Significant risk	Planned audit scope	Auditor
Oldham MBC	Yes	Yes	Full audit carried out by group engagement team	Mazars - group engagement team
Miocare CIC Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures Audit procedures for payroll testing	Mazars - group engagement team



# 04

Section 04:

## **Extended auditor's report**

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# 4. Extended auditor's report

## Layout of extended auditor's report and implications for the audit

The extended auditor's report for the Council is expected to follow the format and structure below for the year ending 31 March 2023 assuming that no emphasis of matter or qualification is required.

Paragraph heading in order	Summary of key content
Opinion on the financial statements	What we have audited and our opinion thereon.
Basis for opinion	Confirms that the audit is undertaken under the ISAs (UK). Specific confirmation of our independence including with the FRC's Ethical Standard. Specific confirmation re sufficiency and appropriateness of audit evidence obtained to provide a basis for our opinion.
Conclusions relating to going concern	Reporting by exception on the Council's: <ul style="list-style-type: none"> <li>• use of the going concern basis of accounting</li> <li>• disclosure of any material uncertainties</li> </ul>
Key audit matters	Includes definition of key audit matters. Clarifies that these matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and that we do not provide a separate opinion on these matters. For each key audit matter identified: <ul style="list-style-type: none"> <li>• A description of the most significant assessed risk(s) of material misstatement;</li> <li>• A summary of our response to those risks including significant judgements applied; and</li> <li>• Where relevant, key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements.</li> </ul>

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# 4. Extended auditor's report

Paragraph heading in order	Summary of key content
<b>Our application of materiality and an overview of the scope of our audit</b>	<p>Explanation of how we applied the concept of materiality in planning and performing the Group and Council audit.</p> <p>The overall materiality threshold for the Group and Council financial statements as a whole, performance materiality and triviality.</p> <p>Overview of the scope of the Group and Council audit, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.</p>
<b>Other information</b>	Responsibilities of the Director of Finance and of the auditor for Other information included in the annual report.
<b>Responsibilities of the Director of Finance</b>	Cross reference to the full Statement of the Director of Finance's Responsibilities.
<b>Auditor's responsibilities for the audit of the financial statements</b>	<p>Explanation of the 'reasonable assurance' objective of the audit.</p> <p>Cross-reference to our responsibilities for the audit on the FRC's web-site.</p> <p>Explain to what extent the audit was considered capable of detecting irregularities, including fraud.</p>
<b>Value for money arrangements</b>	Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
<b>Matters on which we are required to report by exception</b>	<p>Report in the public interest under section 24 of the Local Audit and Accountability Act 2014.</p> <p>Recommendation under section 24 of the Local Audit and Accountability Act 2014.</p> <p>Exercise of any other special powers of the auditor under the Local Audit and Accountability Act 2014.</p>

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# 4. Extended auditor's report

Paragraph heading in order	Summary of key content
Other matters which we are required to address	Confirms that we have not carried out any prohibited non-audit services and that we remain independent on the Council and its Group. Confirms that our audit opinion is consistent with the Audit Completion Report.
Use of the audit report	Who we are reporting to and what the report may be used for.
Audit certificate	Sets out that we have completed the audit of the Council in accordance with the Local Audit and Accountability Act 2014.

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# 05

Section 05:

**Significant risks, key audit matters  
and other key judgement areas**

Page 26

# 5. Significant risks, key audit matters and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

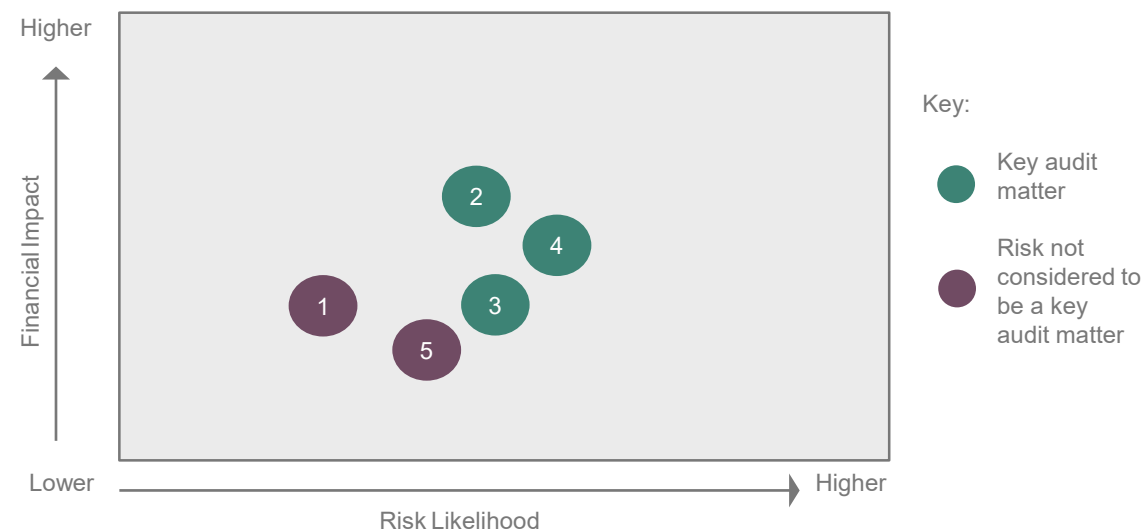
## Key audit matters

Key audit matters are defined as those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way this is described. This section highlights which of the significant risks and other key judgement areas are considered by us at the planning stage to be key audit matters. It should be noted, however, that other key audit areas may be identified during the course of the audit.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



1. Management override of controls
2. Valuation of Council property, plant and equipment
3. Valuation of Council Investment Property
4. Valuation of the Council's and the Group's net defined benefit pension liability
5. Valuation of investment in Manchester Airport Holdings Ltd (Enhanced Risk)



# 5. Significant risks, key audit matters and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

### Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
1 Page 28	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



## 5. Significant risks, key audit matters and other key judgement areas

### Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
2	<p><b>Valuation of Property, Plant &amp; Equipment (Council)</b></p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant &amp; equipment revalued in a five-year cycle.</p> <p>The valuation of property, plant &amp; equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end.</p> <p>Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer.</li> <li>Obtaining an understanding of the basis of valuation applied by the valuer in the year.</li> <li>Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2022/23 are materially fairly stated.</li> <li>Obtaining an understanding of the Council's approach to ensure that assets revalued through 2022/23 are materially fairly stated at the year end.</li> <li>Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.</li> <li>Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023.</li> <li>Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.</li> </ul>

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# 5. Significant risks, key audit matters and other key judgement areas

## Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
Page 30	<p><b>3 Valuation of Investment Property (Council)</b></p> <p>The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date.</p> <p>The valuation of Investment Property involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council’s instructions to the valuer.</li> <li>• Obtaining an understanding of the basis of valuation applied by the valuer in the year.</li> <li>• Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council’s valuer.</li> <li>• Comparing the valuation to our external valuation expert’s estimate of the valuation.</li> <li>• Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.</li> </ul>



## 5. Significant risks, key audit matters and other key judgement areas

### Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
Page 31	<p>4 <b>Valuation of Council's and the Group's defined benefit pension liability (Council and Group)</b></p> <p>The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the subsidiaries' employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's or the subsidiaries' circumstances. This could have a material impact to the Council and Group net pension asset/ liability in 2022/23.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council and the Group.</li> <li>• Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate.</li> <li>• Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's and the Group's share of Pension Fund assets.</li> <li>• Reviewing the actuarial allocation of Pension Fund assets to the Council and Group by the actuary, including comparing the Council's and the Group's share of the assets to other corroborative information.</li> <li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.</li> <li>• Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and Group's financial statements.</li> <li>• Reviewing accounting treatment for net pension assets across the group</li> </ul>

Engagement and responsibilities summary

Your audit engagement team

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Our commitment to independence

Materiality and misstatements

Appendices

# 5. Significant risks, key audit matters and other key judgement areas

## Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
5	<p><b>Valuation of investment in Manchester Airport Holdings Limited</b></p> <p>The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2023. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.</p>	○	●	●	○	<p>Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.</p> <p>The Mazars in-house valuation team will review the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.</p>

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# 06

Section 06:

**Value for money**

Page 33

# 6. Value for Money

## The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

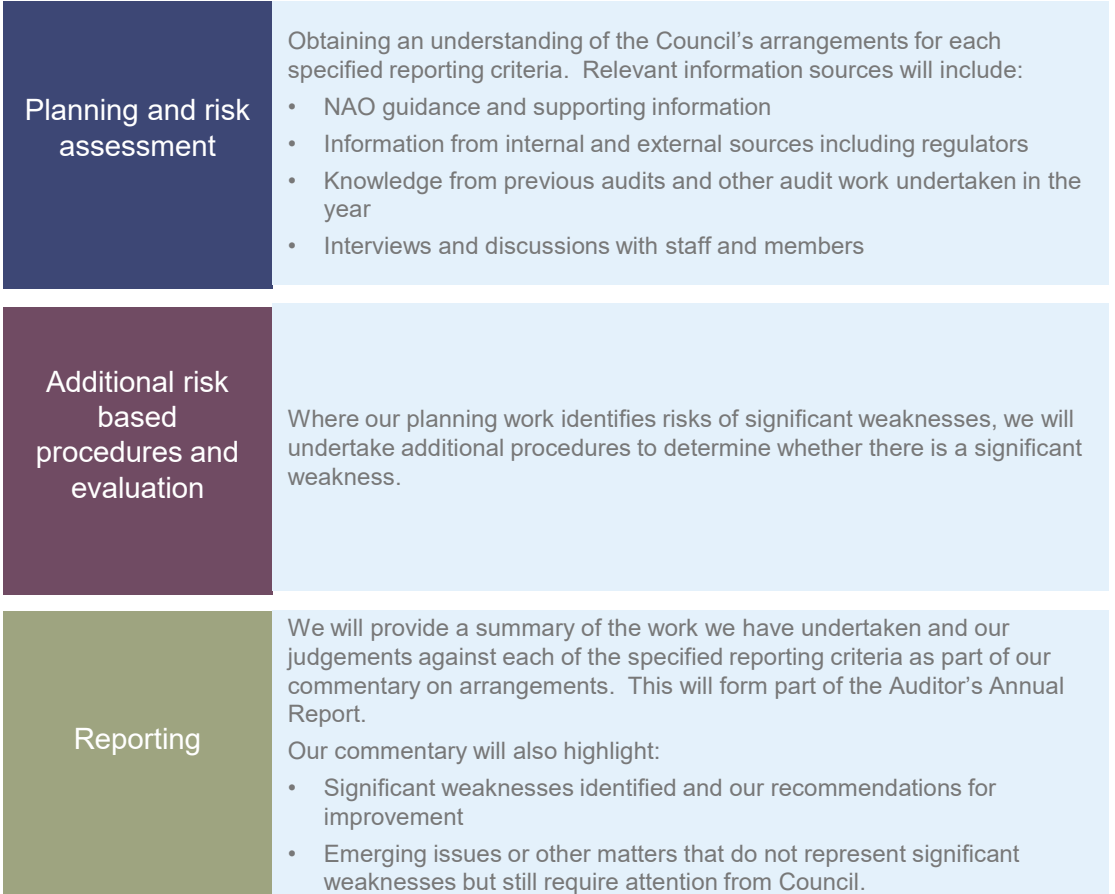
## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



# 6. Value for Money

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, based on the work carried out we have not identified any risks of significant weaknesses to date. This is consistent with our reporting from 2021/22 in which we did not identify any significant weaknesses in arrangements.

We will report any subsequently identified risks to the Audit Committee on completion of our planning and risk identification work.

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# 07

Section 07:

## **Fees for audit and other services**

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# 7. Fees for audit and other services

## Fees for work as the Council’s appointed auditor

At this stage of the audit we have set our proposed fees in the table below. We will report any expected changes to the Audit Committee through the year, and at the completion of our audit work.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Delivery of audit work under the NAO Code of Audit Practice <sup>1</sup>	104,428	104,428
Additional fees		
- Recurrent scope changes <sup>2</sup>	34,688	34,688
- 19 pension liability valuation <sup>3</sup>	TBC*	TBC*
- Additional requirements for Oldham MBC <sup>4</sup>	5,625	5,625
- Year scope changes <sup>5</sup>	TBC	TBC
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

<sup>1</sup> The scale fee was initially set by PSAA in 2018.

<sup>2</sup> The additional fees in 2021/22 relate to additional testing valuations of land & buildings and investment property, additional pension liability procedures, and additional work to support the new value for money report. We expect to request similar additional fees in 2022/23.

<sup>3</sup> The additional fee in 2021/22 relate to the issues arising from the valuation of the pension liability. The additional fee in 2022/23 relates to issues arising from valuation of a pension asset.

<sup>4</sup> The additional fees in 2021/22 relate to the additional reporting requirements relating to Oldham MBC being classified as a Public Interest Entity (PIE). We expect to request similar additional fees in 2022/23.

<sup>5</sup> The additional fees in 2022/23 relate to the additional requirements as a result of the implementation of revised ISA 315 see Appendix B and the audit fee relating to Unity Ltd. The additional fees in 2021/22 relate to additional work requirements on infrastructure assets.

## Fees for non-audit work

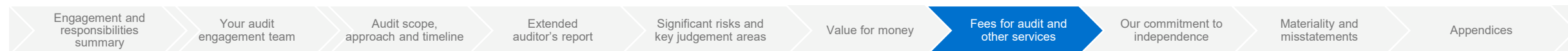
We have not been engaged by the Council to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

## Services provided to other entities within the Council’s group

Mazars LLP have been engaged as external auditors by Miocare Community Interest Company Ltd for 2022/23.

The audit fees agreed for the external audit of Miocare Community Interest Company Ltd 2022/23 financial statements are £38,159. The audit fees agreed for the part year external audit of Unity Ltd financial statements are £15,000.

Mazars LLP do not provide any other services to Miocare Community Interest Company Ltd.



# 08

Section 08:

**Our commitment to independence**

Page 38

## 8. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

We have not made arrangements for any of our activities as auditor to be conducted by another firm that is not a Mazars' member firm. In section 3 we have outlined the experts that we intend to use as part of our audit. We will write to these experts seeking confirmation of their independence and will report this within our Audit Completion Report for the Audit Committee.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- New partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Daniel Watson in the first instance.

Prior to the provision of any non-audit services Daniel Watson will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

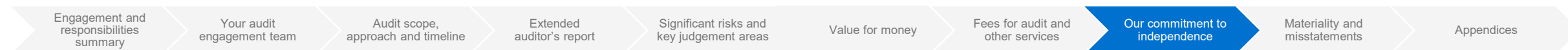
Principal threats to our independence and identified associated safeguards are set out below.

Mazars LLP are engaged by Miocare Community Interest Company Ltd and Unity Ltd to carry out the external audit of their financial statements. The safeguards we have put in place to ensure our compliance with the FRC Ethical Standard are:

- A separate engagement lead and audit team carry out the external audit Miocare Community Interest Company Ltd. This engagement lead and audit team have no involvement in the audit of the Council and the Group financial statements.
- The group engagement team do not intend to request or obtain assurance from the Miocare Community Interest Company Ltd audit teams as part of their external audit.
- The audit fees received for the external audit of Miocare Community Interest Company Ltd is only £38,159, representing less than 50% of the Council and Group external audit fees set out in section 7.

In our professional judgement the safeguards that have been applied eliminate the identified threats to independence or reduce them to an acceptable level.

Any further emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



# 09

Section 09:

## **Materiality and misstatements**

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# 9. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Group	Council
Overall materiality	£15,040,000	£15,000,000
Performance materiality	£12,040,000	£12,000,000
Specific materiality: Officer Remuneration bandings	£5,000	£5,000 *
Typical threshold for errors to be reported to Audit Committee	£451,000	£450,000

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

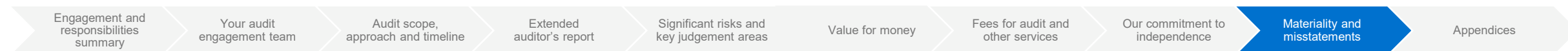
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 9. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/deficit on provision of services. In setting materiality there were no additional qualitative factors which were considered.

Based on the draft financial statements for 2022/23 we calculate the overall materiality for the year ending 31 March 2023 to be £15.04m for the Group financial statements and of £15m for the Council financial statements (2021/22: £13.6m for the Group and £13.5m for the Council).

We have identified one disclosure in the financial statements where we have set a separate specific lower materiality level:

- Disclosure of Senior Officer Remuneration: £5,000 reflecting the movement between bandings.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on our assessment of a low inherent risk, meaning that we have applied 80% of overall materiality as our level of performance materiality.

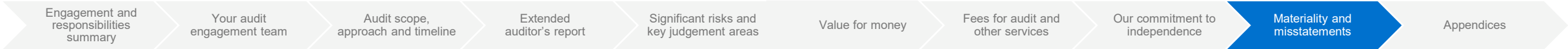
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £451k for the Group and £450k for the Council based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Daniel Watson.

## Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- A summary of adjusted audit differences;
- A summary of unadjusted audit differences; and
- A summary of disclosure differences (adjusted and unadjusted).





# Appendices

A: Key communication points

B: Publication of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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# Appendix A : Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

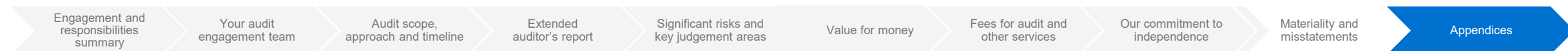
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

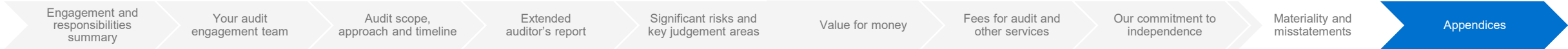
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks/ key audit matters.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit Committee Audit planning and clearance meetings



# Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

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# Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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# Appendix: Key communication points

Required communication	Where addressed
Identification of each key audit partner involved in the audit	Audit Strategy Memorandum
Description of nature, frequency and extent of communication with the Audit Committee and other relevant bodies including dates of meetings	Audit Strategy Memorandum
Description of methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variations compared to the previous year	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Disclosure of quantitative level of materiality applied to the audit, any specific materiality levels applied to particular classes of transactions, account balances or disclosures, and qualitative factors considered when setting materiality	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Explanation of judgements about events or conditions identified during the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Reporting on significant deficiencies including whether or not the deficiency in question has been resolved by management	Audit Completion Report

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# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

## Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

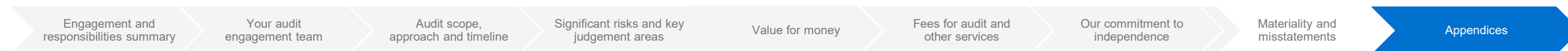
## Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible

risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

## Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



## Daniel Watson, Key Audit Partner

### **Mazars**

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## Report to Audit Committee

# Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care

**Portfolio Holders:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources  
Cllr Barbara Brownridge, Cabinet Member for Health and Social Care

**Officer Contacts:** John Miller – Head of Audit and Counter Fraud  
Jayne Ratcliffe – Director of Adult Social Care

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[jayne.ratcliffe@oldham.gov.uk](mailto:jayne.ratcliffe@oldham.gov.uk)

**20 July 2023**

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### Reason for Decision

To advise members of the outcome of the 2022/23 Fundamental Financial Systems (FFS) Audit Review of Direct Payments and Community Homecare and the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in that report.

### Executive Summary

The Community Health and Adults' Social Care Team directly manages two of the Council's financial systems. One of these systems is the Personal Budgets / Direct Payments system.

The Direct Payments and Community Home Care audit and has received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. Considering this our overall opinion for 2022/23 has subsequently been downgraded to Weak.

This report sets out the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report.

### **Recommendations**

Members are requested to note the the outcome of the most recent 2022/23 Fundamental Financial Systems Audit Review of Direct Payments and Community Homecare and the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in that report.

**Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2022/23 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care.**

## 1. Background

- 1.1 The Community Health & Adult Social Care (CHASC) Service administers the Personal Budget and Community Homecare services for clients. The team allocates services to clients, visiting clients directly at their homes, and provides Personal Budgets to those clients who wish to retain greater control over their own affairs and who can procure services to assist in their own care needs.
- 1.2 The total budgeted gross expenditure for 2022/23 for Direct Payments and Community Homecare are included in the table below in alongside the actual 2022/23 outturn value:

2022/23	Budget	Outturn – Actuals	Overspend
Direct Payments	£18.231m	£20.931m	£2.700m
Community Homecare	£11.981m	£14.977m	£2.996m

- 1.3 The service has received an audit opinion of 'Inadequate' each year from 2014/15 to 2021/22. The current Director of Adult Social Care has been in post since July 2022.

## 2 2022/23 Audit Opinion

- 2.1 The latest 2022/23 FFS review of Direct Payments and Home Care found that systems and controls remain inadequate.
- 2.2 Six of the ten recommendation made in 2022/23 have been made in previous audit reports and remain outstanding. Four of these recommendations are high priority recommendations, and two are medium priority.
- 2.3 As noted at 1.3 above, the service has received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. Our overall opinion for 2022/23 has, therefore, subsequently been downgraded too **Weak**.
- 2.4 The ten recommendations made in 2022/23, and Management's planned actions and timescales to address these recommendations are set out in the Action Plan in **Appendix 1**.

## 3 2022/23 Adult Social Care (ASC) Response

- 3.1 Significant work has already been undertaken by Adult Social Care to respond to the historic system challenges since the audit was undertaken. There is a robust plan in place to continue to improve. However, as the audit will not take place again until later in the year, these cannot be reflected in a more recent audit.
- 3.2 To fully address the auditing recommendations, in October 2022 the service has undertaken an exercise to restructure and repurpose its portfolios. The restructure of the service aligned the brokerage service within the commissioning portfolio, re-aligned the Client Finance Service and created a portfolio of Reform and Improvement.
- 3.3 Since July 2022, the service has devised a complete system transformation and improvement plan, aligned to Adult Social Care improvement which is expected to support

the service to become more efficient and effective in managing demand and meeting the needs of vulnerable residents, who have been assessed as having care and support needs, in accordance with statutory responsibilities **Appendix 2**. In addition, the service has devised a new target operating model **Appendix 3**.

3.4 The directorate is in the process of undertaking a full review of its brokerage service, which is responsible for overseeing cashflow and timely payments are made to providers.

3.5 The service is also undertaking a piece of work to streamline the mosaic system, ensuring workflows between frontline operational staff and the brokerage and client finance teams are aligned.

#### **4 ASC Workforce Challenges**

4.1 It should be recognized the ASC Directorate are currently experiencing significant workforce challenges, which is reflective locally, regionally, and nationally. This is having a significant impact on the directorates ability to respond to competing priorities and demands.

4.2 There are currently 57 Vacancies across Adult Social Care that reflect the national crisis. The current vacancy level places significant pressure in responding to priorities. The service has put in place interim arrangements for some of the vacancies where possible. Unfortunately due to the Social Care crisis, there is a national shortage of qualified workers.

4.3 This risk is being mitigated with an increased HR support to the service, to support the development of a workforce strategy to promote retention, recruitment, and staff well-being.

#### **5 Options/Alternatives**

5.1 The Audit Committee can either choose to accept and note the contents of this report or choose to not do so and suggest an alternative approach.

#### **6 Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the Report.

#### **7 Consultation**

7.1 N/A.

#### **8 Financial Implications**

8.1 N/A.

#### **9 Legal Services Comments**

9.1 N/A.

#### **10 Cooperative Agenda**

10.1 N/A.

#### **11 Human Resources Comments**

11.1 N/A.

## **12 Risk Assessments**

12.1 N/A

## **13 IT Implications**

13.1 N/A.

## **14 Property Implications**

14.1 N/A.

## **15 Procurement Implications**

15.1 N/A.

## **16 Environmental and Health & Safety Implications**

16.1 N/A.

## **17 Equity, Community Cohesion and Crime Implication**

17.1 N/A.

## **18 Equality Impact Assessment Completed**

18.1 No.

## **19 Forward Plan Reference**

19.1 N/A.

## **20 Key Decision**

20.1 No.

## **21 Background Papers**

21.1 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 Appendix 1  
Officer Name: John Miller

## **22 Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** 2022/23 Direct Payments and Community Home Care FFS Review Action Plan
- **Appendix 2** Adult Social Care Transformation and Improvement plan.
- **Appendix 3** The Adult Social Care Target Operating Model.





## 2022/23 Direct Payments and Community Home Care FFS Review Action Plan

<b>High Priority</b>	- Significant risk to the Council or Service, the recommendation is essential for sound or effective control.
<b>Medium Priority</b>	- Moderate risk to the Service it is important that the recommendation is completed
<b>Low Priority</b>	- Small risk to the Service it would improve control if the recommendation were to be completed.

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
1	<p><b><u>Workflow</u></b></p> <p>The service should continue in the implementation of their recovery plan to address outstanding workflow requirements.</p> <p><b>Brought forward from previous audit reports.</b></p>	High	The service is undertaking a phased implementation approach to a Transformation Programme (Target Operating Model). This will help assist in the efficiency of the workflow requirements.	Director of Adult Social Care (DASS)	31 <sup>st</sup> March 2024
2	<p><b><u>Statutory Annual Care Review</u></b></p> <p>Strategy and Performance reports should be used to highlight service users who are overdue an annual care review.</p> <p>The service should utilise the benchmarking information available in comparison to other Northwest region authorities to identify where Oldham would appear to perform less well than neighbouring Councils. Where areas for improvement are identified as a result of benchmarking, the service should approach and liaise with better performing Council in order to identify any improvements which may be made.</p> <p><b>Brought forward from previous years.</b></p>	High	The Service has commenced a review of the client records where a care review is shown as overdue. This has revealed that a number of these records are incorrect and that the review date recorded on our systems is inaccurate due to staff having re-assessed clients prior to their recorded review date but not having updated the next annual review date. The Service will look to resolve these data issues to provide a more accurate reflection of the work done. The Service is in the process of conducting a review of its data across the board to standardise the usage and reporting from the system.	Director of Adult Social Care (DASS)	31 <sup>st</sup> March 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
			<p>The Service liaises monthly with colleagues across the Northwest ADASS. The CQC Peer Review recognised the challenges presented by the Mosaic system and the current adult social care climate. In comparison with other Local Authorities with the same demographics Oldham is within the average bracket for performance in this area. The service currently has a total of 57 vacancies. The service expects the ongoing data review to reflect this in its performance going forward. The Service also expects the ongoing Transformation Programme to improve efficiencies and performance. Additionally, further, to pending approval at Cabinet of the Mosaic system contract, a full system health check will be completed with the provider to address workflow &amp; process issues.</p>		

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
3	<p><b><u>Notice to Close</u></b></p> <p>Income and Payments team should be informed promptly of a death, or other circumstances resulting in a "Notice to Close" to correctly pay the provider and stop invoices in respect of client's contributions.</p> <p><b>Brought forward from 2020/21</b></p>	High	The Service has reminded staff to ensure that the NTC process is adhered to. Communications were sent to staff 30 <sup>th</sup> May 2022 and 30 <sup>th</sup> May 2023. The Service will continue to remind staff of this requirement and monitor progress in this area. The Service is also undertaking ongoing quality assurance checks on closed cases to feedback to the practitioner and manager on any areas of improvement required.	Director of Adult Social Care (DASS)	12/07/2023 - completed
4	<p><b><u>Duplicate Records</u></b></p> <p>Training reminder to staff is required to ensure that a record does not already exist for a client before setting up a new one.</p> <p><b>Brought forward from previous years.</b></p>	Medium	Completed. Communications issued to staff in February 2022 and again in February 2023. This will also be picked up via regular reporting in this area.	Director of Adult Social Care (DASS)	12/07/2023 - completed
5	<p><b><u>Direct Payment Audit Invoices</u></b></p> <p>Invoices to recover overpaid funds to be issued by the D.P. Audit Team and not to be duplicated by other teams.</p> <p><b>New recommendation 2022/23</b></p>	Medium	Agreed. The Service will ensure this does not happen again.	Director of Adult Social Care (DASS)	12/07/2023-completed
6	<p><b><u>Unallocated Service Users</u></b></p> <p>All service users should be allocated to a Team. The service should review the report produced</p>	High	The Service will review the users identified and ensure that where a team is required then the user will be allocated appropriately.	Director of Adult Social Care (DASS)	31 <sup>st</sup> March 2024

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	by Performance Team and ensure unallocated service users are allocated promptly.  <b>New recommendation 2022/23</b>				
7	<b><u>Client Contributions</u></b>  Invoices to clients for their contribution to cease, in a timely manner, when payments to the care provider end.  <b>New recommendation 2022/23</b>	Medium	Agreed. This will be picked up as part the case closure audits implemented during 2023 in preparation for the Council's anticipated CQC review.	Director of Adult Social Care (DASS)	12/07/2023
8	<b><u>CHC Income</u></b>  Amounts invoiced to ICB for joint funded cases should reflect the agreed split of funding. Amounts invoiced should be adjusted when costs change and in the event of back dated adjustments to the care provider.  <b>New recommendation 2022/23</b>	High	Agreed. The Service has a weekly "High Cost" Panel which is jointly chaired with the ICB which reviews jointly funded cases. The Service will look to develop a feedback and review mechanism to ensure that invoices to the ICB accurately reflect the costs of care.	Director of Adult Social Care (DASS)	12/09/2023
9	<b><u>Incomplete Forms</u></b>  Purchase Request forms should be fully completed on the Mosaic system.  <b>Brought forward from 2020/2021</b>	Medium	Agreed.	Director of Adult Social Care (DASS)	12/07/2023
10	<b><u>Proposed ASC Debt Recovery Process</u></b>  The action plan to address outstanding debt presented to DMT in July 2021 should be progressed.	High	The Service meets regularly with the Officers involved with the Council's overall Debt Recovery / Income	Director of Adult Social Care (DASS)	12/07/2023

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
	Brought forward from previous years.		Maximization initiatives to progress this issue.		

### Appendix 2 – ASC Improvement Plan



ASC Improvement  
Plan V3 May 2023.ppt

### Appendix 3- ASC Target Operating Model (TOM)



ASC TOM June 2023  
.pptx

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## Report to Audit Committee

## Update on General Matters

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**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

**20 July 2023**

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### Reason for Decision

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

- a) The outcome of the Best Value Inspection at Thurrock Council following the production of a public report in May 2023 setting out the detailed findings of the Best Value Inspectors. This includes recommendations which if accepted, could impact on the work of this Committee in undertaking its governance role.
- b) The initial reported findings of the Best Value Commissioners appointed at Woking Borough Council, and the subsequent issuing by the Council of a Section 114 Notice.
- c) An update on financial issues at other Authorities including Nottingham City Council following the latest report in the public domain highlighting improvements are required in financial administration.
- d) The report produced by the Public Accounts Committee on the timeliness of External Auditors on delivering an audit opinion on the accounts of Local Authorities by the statutory deadline.
- e) The requirements of the Department of Levelling Up, Housing and Communities that Councils ensure that their S151 Officers are able to satisfy the role of the Accountable Officer in line with the requirements of the Department on the major grant schemes for the Future High Streets Fund, the Towns Fund and the Levelling Up Fund.

- 
- f) The creation of the Office for Local Government (Oflog) as an initiative to improve the oversight of Authority's performance and adherence to Best Value legislation and the announcement by the Department for Levelling Up, Housing and Communities about a consultation on the proposed Best Value Standards and Interventions which will be applied to a Local Authority.

## **Executive Summary**

This report sets out six key matters which have the potential to impact on the future work of this Committee in undertaking its governance role within the Council. These are covered in Section 2 of the report as detailed below.

These matters, alongside the plans for change aligned to the creation of the Audit Regulation and Governance Authority (ARGA) which were reported to this Committee on 8 June 2023, highlight that there is a potential for significant changes to the future oversight of governance nationally, including the setting up of Oflog.

In addition, after a significant period of stability in the management of Local Government finances by Local Authorities, there are now some high profile cases where, due to poor financial management, four Authorities are reliant on capitalisation directions from Central Government to enable them to set balanced budgets. As interest rates are increasing it is possible that other Authorities who invested large amounts in the commercialisation agenda compared to their annual revenue budget will require financial support and therefore issue a future Notice under Section 114(3) of the Local Government Act 1988 (a Section 114 Notice) advising that they are unable to manage their finances within the resources available to them. Whilst the Audit Committees in the four Authorities could not have prevented past events, they should have been an important check and balance in providing challenge.

These events and publications have the potential to impact on the work of both the Audit Committee and the Scrutiny Boards in the future and information is therefore included in this report, so Members are as well briefed as possible on matters pertinent to their role.

## **Recommendation**

That Members consider the approach of the Committee to the matters detailed in this report.



**Update on General Matters****1 Background**

- 1.1 There are six items detailed in this report which need to be brought to the attention of the Audit Committee. These are:
- a) The outcome of the Best Value Inspection at Thurrock Council following the production of a public report in May 2023 on the detailed findings from the Best Value Inspectors. Thurrock Council had previously issued a Notice under Section 114(3) of the Local Government Act 1988 advising that it could not manage its finances with the resources available to it and been given flexibility to increase its Council Tax by 10% for the financial year 2023/24.
  - b) The initial findings of the Best Value Commissioners appointed at Woking Borough Council, and the subsequent issuing by the Council of a Section 114 Notice linked into their overall financial position arising from significant borrowing undertaken which is not supported by corresponding asset values.
  - c) An update on matters affecting certain other Local Authorities including Nottingham City Council following the latest report in the public domain highlighting improvements are required in their financial administration.
  - d) The report produced by the Public Accounts Committee on the timeliness of External Auditors in delivering an audit opinion on the accounts of Local Authorities by the statutory deadline.
  - e) The requirements of the Department of Levelling Up, Housing and Communities (DLUHC) that Councils ensure that their S151 Officers are able to satisfy the role of the Accountable Officer in line with the requirements of for the Department on the major grant schemes for the Future High Streets Fund, the Towns Fund and Levelling Up Fund.
  - f) The creation of the Office for Local Government (Oflog) as an initiative to improve the oversight of Authority's performance and adherence to Best Value legislation. The announcement by the Department for Levelling Up, Housing and Communities about a consultation on the Best Value requirements for a Local Authority is also highlighted for information.
- 1.2 The first two items (a) and (b) above. relate to issues linked into financial administration of two authorities following the appointment of Best Value Inspectors. In part they are of interest to this Committee as there has been a failing in the role of those charged with governance in that they did not, with the benefit of hindsight, provide appropriate challenge to decisions taken within the Authority which had the impact of destabilising the long term financial resilience of the Councils.
- 1.3 The third issue (c) above, informs the Committee that within the financial year 2023/24, further information has identified the poor practices adopted by Nottingham City Council in respect of financial administration. In addition, over the past few years, the Council's External Auditor has produced a report in the Public Interest detailing the failings of a wholly owned energy company.
- 1.4 The Public Accounts Committee has consistently expressed concerns about the failure of External Auditors to issue in a timely manner audited opinions on the Statement of

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Final Accounts produced by Local Authorities. On 23 June 2023, it issued its sixtieth report of Session 2022/23 entitled the “Timeliness of local auditor reporting”. This followed upon a previous report issued in July 2021 and highlighted that the performance in issuing an audited opinion on the accounts for Local Government bodies had further declined.

- 1.5 A feature of recent Government capital grant programmes administered by the DLUHC is that there have been concerns (not detailed in the public domain) about their oversight of capital grant programmes delivered directly by Local Authorities such as the Future High Streets Fund, Towns Fund and Levelling Up Fund. DLUHC has now clarified its expectations and produced some guidance on how these programmes should be overseen including specifying the role of the Section 151 Officer. This places much greater responsibility on the S151 than previous grant regimes.
- 1.6 The creation of Oflog is linked into the need for DLUHC to have appropriate oversight of the performance of Local Government including the need to develop a better early warning of when Local Authorities are experiencing financial stress. Alongside this a revised consultation on Best Value has been announced setting out how DLUHC proposes to exercise this duty where appropriate.

## **2 External Audit Matters**

### **Thurrock Council**

- 2.1 On 2 September 2022 Essex County Council was appointed as the Lead Inspector at Thurrock Council. Thurrock had pursued a commercial strategy that the published report described as “unique within local government” which involved borrowing short term money at a cheap rate from Local Authorities and investing for the longer term in investments which generated (in theory) a return higher than the cost of the short term borrowing. The aim was to increase resources available to fund the general services of the Council.
- 2.2 Initially this strategy, which was eventually financing 25% of the Council’s annual revenue expenditure, had cross party support. It financed additions to services and kept Council Tax increases low. As concerns began to be reported in the press that some of the investments were not financially secure, there was then some Member challenge, and the matter was discussed at Full Council in 2020. Assurances were given that the investments would be detailed, and no further future investments would be made without appropriate review. The general view was that Council (the perceived way forward not adequately reflected in the minutes) was that any further investments would be paused. This did not happen, and the investments continued to be made. Arlingclose (Treasury Management advisors to several Local Authorities but not Thurrock Council) then issued formal advice to those local authorities it supported not to lend cash to Thurrock Council.
- 2.3 This resulted in a significant reduction in short term lending to Thurrock to finance its investments. The Authority then had to approach the Public Works Loan Board (PWLB) to finance its borrowing. This occurred at a time when borrowing purely for financial gain was inconsistent with the criteria set by the PWLB, so a special dispensation was required to enable funds to be made available to Thurrock. This led to the appointment of Essex County Council as the Lead Inspector as a condition of agreeing the borrowing.
- 2.4 The Inspectors have now produced their first formal report on their findings and the events that led to the issuing of the Section 114 Notice. In total, the report makes 9 recommendations. Of these recommendations, numbers 5, 8 and 9 are of direct

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relevance to this Committee. In addition, it is important that the Committee is aware that the situation that Thurrock Council now finds itself in is due to what the report refers to as the Council's "Unique Investment Strategy" related to its Treasury Management Strategy. The oversight from all the Statutory Officers, Statutory functions and Regulatory Committees failed to understand the precarious financial position the Council found itself in.

2.5 Recommendation 5 related to the decision-making power having been concentrated in the hands of a small number of Members and officers. As such it was recommended the Council:

- Take "immediate action to address the weaknesses in governance as they have undermined transparency and effective and informed decision-making, including by making improvements in the taking and recording of formal decisions, reviewing the constitution, and improving the functioning of scrutiny;
- Initiate a programme of work to strengthen members' capability through:
  - the development and delivery of an effective and continuing member development programme - members should be actively involved in the development and delivery of this programme; and
  - the delivery of a programme which actively encourages local residents to participate in local democracy and to consider standing for election."

2.6 Recommendation 8 is to the Secretary of State suggesting the commissioning of a review of external audit for Local Authorities, so the role of external audit is extended to becoming an early warning system where there is a risk of financial failure.

2.7 Recommendation 9 is also to the Secretary of State and is aimed at better supporting the relationship between the three key Statutory Officers and has two points as detailed below:

- "Issuing guidance to strengthen the role of the three statutory officers, requiring them to work together, and in an integrated way, to maintain the integrity of the governance arrangements and the control environment if their authority; and
- making legislation to strengthen and clarify the role of the Monitoring Officer and head of paid service. This may require parliamentary time but in the short term this should include:
  - amending regulation 4 of the Accounts and Audit Regulations 2015 to introduce a requirement for the Head of Paid Service and the Monitoring Officer to be consulted by the section 151 Officer on any determination on the financial control environment; and
  - amending regulation 6 of the Accounts and Audit Regulations 2015 to require the Head of Paid Service, section 151 Officer and Monitoring Officer to be formally consulted on the contents of the annual governance statement."

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## **Woking Borough Council**

- 2.8 On 7 June 2023 the interim Treasurer at Woking Borough Council issued a Section 114 Notice. The Council had extensive borrowings of which £1.3 billion related to partnerships and it was looking at an impairment in the region of £600m. In addition, the Council had under provided for its Minimum Revenue Provision for a 10 year period and, with a small revenue budget, could not set a balanced budget from 2023/24 without Government support.
- 2.9 The checks and balances devised to detect potential problems within the Council had not worked as well as intended. In advance of issuing the Section 114 Notice, Best Value Commissioners had been appointed and a report was issued detailing the area where financial administration had been poor. The Council's oversight of partnerships including those companies it wholly owned and those with which it was undertaking key regeneration projects was less than satisfactory. Also, key regulators had not always identified the risks. As an example, when the Council was last inspected by a Peer Review Team organised through the Local Government Association, it was praised for the Woking Entrepreneurial Model.
- 2.10 The Council is currently consulting on the levels of service it will provide in the future. It has already been stated that services will need to be reduced and services provided at the statutory minimum. Ironically, 12 months ago it was liaising directly with DLUHC about the poor progress the External Auditor had made in signing off its accounts. There were disputes about the level of provision which should be made for the Minimum Revenue Provision.

## **Other Councils including Nottingham City Council**

- 2.11 Nottingham City Council has had significant financial challenges since the public interest report was issued in relation to the losses it made on its energy company. The latest report in the public domain indicates its overall arrangements for financial administration are less than satisfactory. Given Nottingham is not a small Authority, the fact that there were significant issues in respect of financial administration which prevailed over a long period of time without being addressed, indicates there are significant challenges within the wider environment that Finance Services are now operating within and resolving them in a sustainable manner is proving to be very difficult.
- 2.12 Southampton City Council has commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake an independent review of its financial administration. The City Council has balanced its budget over the past few financial years via the use of one-off reserves, although these are now becoming depleted. Its intention in using CIPFA is to avoid the risk of the Council having to issue a Section 114 Notice as its financial resilience declines. It can therefore take recommended actions to address the challenges highlighted. There appears to be a number of Local Authorities in a similar position to Southampton.
- 2.13 Guildford Borough Council has announced it is at risk of having to issue a Section 114 Notice. When the accounts were last signed off in 2019/20, they had significantly more cash backed earmarked reserves than is now the case. The 2020/21 audit carried out in April 2023 had identified a number of adjustments which have reduced cash backed reserves. This is a good example of why the external audit of accounts should be undertaken in a timely manner. In addition, significant efficiencies linked into the implementation of ICT improvements have not materialised causing long term challenges as highlighted in their financial models. Overall Guildford has debt of

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£300m and there are debates with the External Auditor about the funds it needs to set aside as Minimum Revenue Provision.

### **Public Accounts Committee**

- 2.14 This report has made 6 conclusions and recommendations to DLUHC arising out of its work. These conclusions were:
- “The backlog of audit opinions for local government remains unacceptably high, and the Department still does not have a plan to reduce it.”
  - “Delays to the publication of audited accounts for local government bodies increases the risk of governance or financial issues being identified too late and hinders accountability of £100 billion of local government spending.”
  - “Long-term market and workforce development are essential if the Department is to resolve the current problems with local auditor reporting and create a more resilient system for the future.”
  - “Delays to establishing the Auditing, Reporting and Governance (ARGA) and handing over responsibilities for leading local audit to the FRC, risk performance deteriorating further.”
  - “There are no consequences for local government bodies or local auditors failing to deliver audited accounts on time.”
  - “Government, local bodies and standard setters still lack a shared view of how to ensure that local public accounts, and the audit of them are fit for purpose.”
- 2.15 In addition to producing the report the Chair of the Public Accounts Select Committee has also included this issue in the Annual Report which details the serious issues that Government should treat as a priority. Despite this censure, the situation has not improved since the Committee previously reported on the matter in July 2021 and the tone of the report is not expecting matters to improve in the short term, given that there has been a return to pre pandemic deadlines for both submitting the accounts for audit and then the completion of the external audit work to produce an audit opinion.
- 2.16 The Government has until 23 August to respond, and it is unlikely that significant progress is going to be made until some of the legislation relating to the Audit Regulation and Governance Authority is enacted. The indications for the 2022/23 Accounts are that approximately 36% of Authorities submitted their draft accounts for audit by the statutory deadline of 31 May 2023. As Members are aware, Oldham Council was one of those Authorities that complied with the requirement.
- 2.17 The DLUHC Select Committee which is also undertaking a review linked into the external audit process and the timeliness of producing accounts has not yet published its report. The content is likely to be very similar to the points raised by the Public Accounts Select Committee

### **Guidance Issued by DLUHC on oversight of Grant Programmes**

- 2.18 A feature of the capital grant schemes administered by DLUHC has been to request Local Authorities to submit bids (often 2-3 schemes). The grant programme goes through an evaluation process taking a few months before it is agreed resulting in the delivery timetable by the successful Authority being quite challenging to implement. In addition, it has been reported that HM Treasury is requiring enhanced scrutiny in how DLUHC is administering these programmes so is paying attention to the detailed administration.
- 2.19 DLUHC has recently issued guidance to individual Local Authorities on what they expect in their stewardship of these grant schemes. These are based upon the

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principles of the Accountable Officer and effectively nominate the Section 151 as the first line of defence. There is an expectation that the grant programmes will follow due process and be subject to a formal scrutiny review twice a year. When this occurs there maybe issues which need to be considered by this Committee. As more formal links are developed with the Council's Scrutiny Boards, it is important that the work undertaken by the Audit Committee is aligned where possible.

## **Oflog and Best Value Consultation**

### **Oflog**

- 2.20 The Office for Local Government was launched at the Local Government Association Conference. Lord Morse, whose is a former Head of the National Audit Office was appointed as the Chair during January 2023. Josh Goodman who previously worked on the COVID-19 shielding programme was appointed as the interim Director on 23 June 2023.
- 2.21 The aim of Oflog is to provide authoritative and accessible data and analysis about the performance of Local Government, for citizens, local leaders', councils', and Central Government to use. This body is going to concentrate more on performance, whilst ARGA will be focussed on external audit and overseeing work on the audit process.
- 2.22 Oflog's functions will develop over time in an iterative process, to eventually become a mature organisation. Initial activities, that began at the launch have been announced with four areas upon which it will initially concentrate. These are Waste Management, Adult Social Care, Adult Skills and Finance. Interestingly, Children's Social Care is not at this stage an area of focus. In terms of Finance, the aim of the organisation is to act as an early warning where Councils are at risk of issuing a Section 114 Notice. Over time it is anticipated that this body will influence the work of this Committee and possibly the work of the Internal Audit Team, as performance data could require auditing.

### **Best Value Consultation**

- 2.23 At a similar time as the official announcement was made on the creation of Oflog, on 4 July 2023, a consultation on Best Value was issued by DLUHC. Whenever Inspectors are appointed to an Authority it tends to be because the Council has failed in its Best Value duty. DLUHC, alongside the creation of Oflog is reviewing its processes to ensure it discharges this duty more effectively going forward. The consultation is looking to provide Councils with more clarity on how they should discharge the Best Value Duty and sets out more clearly when Government is likely to appoint Inspectors.

## **3 Options/Alternatives**

- 3.1 N/A.

## **4 Preferred Option**

- 4.1 N/A.

## **5 Consultation**

- 5.1 N/A.



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- 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.

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## 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:

- Thurrock Council Best Value Inspection Report
- Governance, Financial and Commercial Review – Woking Borough Council
- Nottingham City Council Audit Committee 30 June 2023 – Financial Controls Assessment
- Report of the Public Accounts Committee – Timeliness of Local Auditor Reporting
- Information on the Creation of Oflog

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## 20 Appendices

20.1 None





## Report to Audit Committee

# Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

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

**20 July 2023**

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### Reason for Decision

The first stage of producing the Audit Committee's Annual Report to Council is to undertake a review of the work undertaken during 2022/23 and assess how it aligns to the Committee's Terms of Reference as set out in the Council's Constitution. The requirement to produce a Annual Report is set out in updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of Audit Committees 2022. This was highlighted as good practice to Members of the Committee in the recent training that they received on the role and responsibilities of the Audit Committee.

This report therefore sets out:

- a) A summary of the guidance (for Members Information) setting out the key documents which will influence how this Audit Committee should operate to follow best practice going forward. A further report is planned for consideration by the Committee on 5 September 2023.
- b) How the Committee's work during 2022/23 aligned to the agreed Terms of Reference as set out in the Council's Constitution. This is the first stage in producing the Annual Report.

**The Council's Constitution under Responsibility for Functions sets out the Terms of Reference to the Audit Committee detailing its agreed responsibilities.**

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## **Executive Summary**

During the Calendar Year 2022 CIPFA issued a suite of updated guidance documents intended to inform and support the future work of Audit Committees in organisations across the public sector, including Local Authorities. The guidance assists both Members of the Audit Committee (Elected and Independent) and those Officers who support the work of the Committee.

The documents for this Committee to consider are:

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
- The Audit Committee Member in a Local Authority 2022 edition.
- Guiding the Audit Committee - Supplement to the Audit Committee Member guidance 2022 edition.
- Appendix E - Self-assessment of good practice.
- Appendix F - Evaluating the impact and effectiveness of the Audit Committee.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 requires that Audit Committees:

“report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.”

This report summarises how Oldham Council's Audit Committee will meet this annual reporting requirement with the first stage being the assessment of how the actual work reported compared to the agreed Terms of Reference.

## **Recommendation**

That the Members of the Audit Committee endorse the self-assessment against the agreed Terms of Reference as set out in this report.

## **Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution**

### **1. Background**

- 1.1 During the calendar year 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a suite of updated guidance documents intended to inform and support the work of Audit Committees in organisations across the public sector, including Local Authorities. The guidance assists both Members (Elected and Independent) of the Audit Committee and those Officers who support the work of the Committee.
- 1.2 This report then summarises how the work of the Audit Committee during 2022/23 will support the production of its annual report by assessing how the work undertaken compared to the Terms of Reference as set out in the Council's Constitution.
- 1.3 The updated documents, their purpose and a summary of their contents is discussed briefly in paragraphs 2.1 to 2.6.

### **2. CIPFA Audit Committee Supporting Documents 2022 editions**

2.1 The documents which will support Oldham Council's Audit Committee are:

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
- The Audit Committee Member in a Local Authority 2022 edition.
- Guiding the Audit Committee - Supplement to the Audit Committee Member guidance 2022 edition.
- Interactive Appendix E - Self-assessment of good practice.
- Interactive Appendix F - Evaluating the impact and effectiveness of the Audit Committee.

Members of the Committee have been provided with copies of these documents and each is discussed in more detail below.

#### **2.2 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.**

- 2.2.1 The statement sets out the purpose, model, core functions and membership of the Audit Committee. The statement represents CIPFA's guidance on Audit Committee best practice and the principles that Local Government bodies in the UK should adopt. It has been prepared in consultation with sector representatives and the Department for Levelling Up, Housing and Communities (Local Authority Accountable Body) and the Home Office (Police Accountable Body), all of whom support this guidance.
- 2.2.2 CIPFA expects that all Local Government bodies use their best efforts to adopt these principles, aiming for effective Audit Committee arrangements as an aid to meeting a Councils' statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

#### **2.3 The Audit Committee Member in a Local Authority 2022 edition.**

- 2.3.1 This section of CIPFA's guidance is for Members of Audit Committees in Local Authorities. It is intended to support both elected Members and co-opted independent Members (also known as Lay Members) to understand the purpose of the Committee, its functions and their responsibilities as Members of the Committee. The guidance also addresses areas

such as independence and accountability, and membership and effectiveness of the Committee.

## **2.4 Guiding the Audit Committee - Supplement to the Audit Committee Member guidance 2022 edition.**

2.4.1 Guiding the Audit Committee is a supplement to the Member guide. It is aimed at those Officers who support the Committee, helping them to ensure that the Committee acts in accordance with relevant legislation and good practice. Audit Committee Members may also wish to access this supplement.

## **2.5 Appendix E - Self-assessment of good practice.**

2.5.1 This document provides a high-level review tool that incorporates the key principles set out in CIPFA's Position Statement.

2.5.2 Where an Audit Committee has a high degree of performance against the good practice principles contained in Appendix E, it is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are important factors in developing an effective Audit Committee.

2.5.3 CIPFA recommends a regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans. This report echoes and supports this recommendation and proposes that the Committee includes and undertakes a regular good practice self-assessment exercise as part of its planned work for the year.

## **2.6 Appendix F - Evaluating the impact and effectiveness of the Audit Committee.**

2.6.1 CIPFA believes, and this report concurs, that an Audit Committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the Authority's business.

2.6.2 Since the Audit Committee is primarily an advisory body, it can be difficult to identify how it has made a direct and/or measurable difference to the Council's aims and objectives. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

2.6.3 Appendix F is intended for use as an improvement tool to support a review of the Audit Committee's effectiveness. It identifies the broad areas where an effective Audit Committee will have impact.

2.6.4 This report recommends and proposes that the Committee includes and undertakes a regular evaluation of the impact and effectiveness of the Audit Committee as part of its planned work for the year.

## **2.7 Annual Reporting arrangements of the Audit Committee**

2.7.1 The 2022 suite of guidance includes a requirement for the Audit Committee to report annually to full Council on both its work for the year, and in respect of a self-assessment of the Committee's own performance, as follows

### **CIPFA Position Statement 2022:**

"... report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public."

## **Audit committees: practical guidance for local authorities and police**

- To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA Position Statement

## **Audit committees: practical guidance for local authorities and police**

### **Key Questions**

**Q** Does the Audit Committee report directly to the governing body (PCC and Chief Constable/full Council/full Fire Authority, etc)?

**Q** Does the governing body hold the Audit Committee to account for its performance at least annually?

**Q** Does the Committee publish an annual report in accordance with the 2022 guidance, including:

- compliance with the CIPFA Position Statement 2022
- results of the annual evaluation, development work undertaken and planned improvements
- how it has fulfilled its terms of reference and the key issues escalated in the year

2.7.2 This report focusses on reporting on the work of the Audit Committee in the year 2022/23 and how this aligns with, and demonstrates that, the Committee has discharged its responsibilities in relation to the Committee's Terms of Reference. This is set out as Appendix 1 to this report. Overall, the Committee has discharged its role in respect of the Terms of Reference with minor modifications planned for 2023/24 including the formal consultation on Finance and Contract Procedure Rules before they are agreed at full Council.

2.7.3 A separate report examining the effectiveness of the Committee in comparison to the guidance issued by CIPFA during 2022 will be prepared for the Committee as part of the Annual Report. This will be presented for consideration at the next meeting of the Committee.

### **3 Options/Alternatives**

3.1 The Audit Committee can either:

- a) choose to accept and endorse the proposed draft report to full Council on the work of the Audit Committee during 2022/23 aligned to the Committee's Terms of Reference; or,
- b) decline to accept and endorse the proposed draft report to full Council on the work of the Audit Committee during 2022/23 aligned to the Committee's Terms of Reference and suggest an alternative approach.

### **4 Preferred Option**

4.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit Committee.

- 5 **Consultation**
- 5.1 N/A.
- 6 **Financial Implications**
- 6.1 N/A.
- 7 **Legal Services Comments**
- 7.1 N/A.
- 8 **Co-operative Agenda**
- 8.1 N/A.
- 9 **Human Resources Comments**
- 9.1 N/A.
- 10 **Risk Assessments**
- 10.1 Failure to agree an approach to discharge its annual reporting requirements will not allow the Committee to meet the requirements of CIPFA's in terms of best practice (Mark Stenson)
- 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 **Equity, Community Cohesion and Crime Implication**
- 15.1 N/A.
- 16 **Equality Impact Assessment Completed**
- 16.1 No.
- 17 **Forward Plan Reference**
- 17.1 N/A.

## 18 **Key Decision**

18.1 No.

## 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 Appendix 1  
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## 20 **Appendices**

20.1 The following Appendix is available to support this Report:

- **Appendix 1:** Self-Assessment of the work of the Audit Committee during 2022/23 compared to the Committee's Terms of Reference

**Self-Assessment of the work of the Audit Committee during the Municipal Year 2022/23 compared to the Committee's Terms of Reference**

**Introduction**

The first stage for the Audit Committee in producing an Annual Report to Council following best practice is for it to undertake a self-assessment on how it has discharged its duties under the agreed Terms of Reference. In advance of preparing the draft Annual Report this report presents an opinion as to whether it has discharged its Terms of Reference.

This self-assessment details how during the financial year 2022/23 the Audit Committee reviewed the seven key tasks defined in its Terms of Reference. These were:

- 1) Approval and oversight of the Financial Statement of Accounts
- 2) Oversight of the Council's Internal Audit Arrangements
- 3) Oversight of the Council's Relationship with the External Auditor
- 4) Review of Finance and Contract Procedure Rules
- 5) Oversight of Corporate Governance
- 6) Oversight of Treasury Management
- 7) Oversight of Risk Management
- 8) Oversight of Information Governance

Detailed below is the Self-Assessment prepared by Officers which details whether the Committee effectively discharged its responsibilities as set out in the Terms of Reference.

**1 Approval and Oversight of the Council's Financial Statement of Accounts**

**Audit Committee - 21 June 2022**

The Committee received and endorsed reports from the Council's Director of Finance (S151 Officer) on the Draft Financial Statement of Accounts for 2021/22, the Draft Annual Governance Statement and the Council Reserves Policy for the period 2021/22 and 2022/23.

**Audit Committee - 21 July 2022.**

This meeting received an update report on the current position regarding the audit and approval of the 2021/22 Financial Statement of Accounts. The report confirmed the revised audit deadline for the receipt of an external audit opinion as 30<sup>th</sup> November 2022. This report also provided an update on the CIFPA Consultation on Infrastructure Assets which at this stage was the issue which required resolving before an audit opinion could be given.

Authorities are required to publish notice on their websites to advise when the public inspection period of the Statement of Accounts commences. The Council public inspection period ran from 1<sup>st</sup> June 2022 to 14<sup>th</sup> July 2022. No questions or challenges were received during this inspection period.

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

This was due to a delay by HM Treasury in issuing the WGA Toolkit setting out the format it required for 2020/21 information. This meant the WGA submission could not be prepared, and



the External Auditor therefore could not complete the audit for the financial year 2020/21. Until there was clarity on what was required for WGA, the 2020/21 audit could not be finalised.

### **Audit Committee - 8 September 2022**

This meeting considered a report updating on the Council's Statement of Accounts for the financial year 2021/22. The report highlighted the current progress of the audit of the 2021/22 accounts. It also advised of the latest position regarding the preparation and review of the WGA for both 2020/21 and 2021/22 and provided an update on the CIPFA consultation on resolving the national matter of accounting for Infrastructure Assets.

### **Audit Committee – 1 November 2022**

This meeting considered a further update on the Council's Statement of Accounts for the financial year 2021/22. The audit which commenced on 6 June 2022 and was moving to a conclusion. It was anticipated at this stage that the Committee would have been able to consider the audited accounts at its next meeting on 29 November 2022, albeit without the finalisation of the issue related to the valuation of infrastructure assets which was still subject to consultation.

### **Audit Committee - 29 November 2022**

This meeting considered a report on progress of the audit of the 2021/22 accounts. It also advised of the developments about the preparation and review of the WGA for both 2020/21 and 2021/22 and provided an update on the consultation on Infrastructure Assets.

### **Audit Committee - 28 March 2023**

This meeting considered a report highlighting this Committee was the body that was charged with scrutiny and approval of the Council's Statement of Accounts. The report presented an update on the current position regarding the audit and approval of the 2021/22 Statement of Accounts.

This report also advised on developments regarding the preparation and review of the WGA for both 2020/21 and 2021/22 and an update on Infrastructure Assets. The Director of Finance also highlighted the low priority recommendation included in the Council's Draft Audit Completion Report (ACR) produced by the External Auditor which was also reported at this meeting.

The Committee also received the Draft Audit Completion Report of the Council's External Auditor, Mazars LLP, for the year ending 31 March 2022 which included a summary of the work and findings of the External Auditor in relation to the Council's arrangements to secure Value for Money.

In relation to the Council's Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness, the External Auditor found no areas of actual significant weakness in the Council's arrangements, and no areas of risk of significant weakness in the Council's arrangements.

This meeting also considered a report advising Members that in line with best practice principles, approval was 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.

The Director of Finance explained that the Council's accounting policies were the specific principles, conventions, rules and practices that were applied in the production and presentation of the annual Statement of Accounts. These policies are statutorily required to be disclosed within the notes supporting the annual accounts.

In terms of 'Critical Judgements' the Director of Finance explained to the Committee that, 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 was 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.

## **Conclusion**

**The reports to the Audit Committee comply with the Terms of Reference as set out in the Council's Constitution. The number of reports considered throughout 2022/23 reflect the national challenges that individual Local Authorities are encountering in obtaining External Audit certification of their accounts.**

### **2) Oversight of the Council's Internal Audit Arrangements**

#### **Audit Committee - 9 June 2022**

A Report on the Internal Audit Charter was endorsed. A further report was provided on the work undertaken by the Internal Audit and Counter Fraud Service for the year 2021/22 in advance of the Annual Opinion.

#### **Audit Committee - 21 June 2022**

This meeting endorsed the Head of Audit and Counter Fraud's Annual Report and Opinion for 2021/22 included the review of performance. The Annual Opinion report of the Head of Audit and Counter Fraud concluded that the Council's overall system of internal control for the year 2021/22 was adequate.

The Committee also considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management on 21 June 2022 that updated Members regarding the 2021/22 internal assessment of the system for Internal Audit within the Council. The financial year 2021/22 had been a challenging year for the system of Internal Audit within Oldham Council due to resources being diverted to administrative activity to respond to the Covid-19 pandemic. The 2021/22 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concluded that the overall service was good.

#### **Audit Committee - 21 July 2022**

This meeting considered a report that updated Members regarding the 2021/22 internal assessment of the system for Internal Audit within the Council. The financial year had challenges for the system of Internal Audit due to resources being diverted to administrative activity to respond to the Covid-19 pandemic. The 2021/22 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report approach concluded that the overall service was good.

#### **Audit Committee - 8 September 2022**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, the purpose of which was to update Members on key matters both nationally and locally impacting on Audit and Governance.

The key matters covered in this report were issues of Financial Administration at the following Authorities/ organisations: Nottingham City Council, The London Borough of Croydon, Slough Borough Council, Northumberland County Council, Thurrock Council, Liverpool City Council, Sandwell Metropolitan Council, Luton Borough Council, Lancashire County Council, Northwest Community Bank and Together Energy. The report also advised of recent communications from the Department for Levelling Up, Housing and Communities (DLUHC) about the future use of capital receipts and the engagement of consultants for the purposes of interpreting Government policy. It also details other areas of potential interest which could result in further reports which are critical of financial administration for the Authorities detailed above.

The Committee were advised that there were some Council investments, made by the authorities, detailed in the report, where there had been losses that have either become apparent or where there was a risk of future losses not yet recognised in their financial statements. The situation at the London Borough of Croydon around their investment in the wholly owned company "Brick by

Brick” and the Slough Borough Council investment in partnerships had previously been reported to this Committee so were not repeated in this report.

The Committee requested that arrangements be made by the Council to formalise investments to ensure that the actions of the Director of Finance/Section 151 Officer are safeguarded from any unnecessary risks.

#### **Audit Committee – 8 September 2022**

A report was included on the agenda for the meeting to provide Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the period from 1 April 2022 to 31 August 2022. Whilst Members had received the report, the meeting had to be adjourned before the item could be considered (due to the announcement of the death of HM Queen Elizabeth II).

#### **Audit Committee - 1 November 2022**

The Committee received an update on the work and findings of the Internal Audit and Counter Fraud Service during 2022/23.

#### **Audit Committee - 29 November 2022**

The Committee received and endorsed the Council’s suite of Anti-Fraud and Corruption policies, procedures, and response plans on as follows:

- Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan
- Council Tax and Council Tax Reduction Scheme Sanction Policy
- Covid Business Grants Prosecution Policy
- Anti-Money Laundering Policy
- CIPFA Fighting Fraud and Corruption Locally Checklist
- Fraud and Loss Risk Assessment

The Committee resolved that the contents of the report be noted and subject to any final amendments to the wording of paragraphs 13.4 and 16.3 of the Counter Fraud and Anti Bribery Strategy and Counter Fraud Response Plan the updated Policies and Planning documents be endorsed.

The wording at paragraphs 13.4 and 16.3 of the Counter Fraud and Anti Bribery Strategy and Counter Fraud Response Plan were updated in line with Member comments and will be re-presented to the Committee later in the 2023/24 municipal year.

#### **Audit Committee - 16 January 2023**

The Committee received an update on the work and findings of the Internal Audit and Counter Fraud Service during 2022/23.

#### **Audit Committee - 28 March 2023**

The Committee endorsed the Internal Audit Charter 2023/24.

The Committee endorsed the Annual Internal Audit Plan for 2023/24.

**Conclusion; The reports to the Audit Committee comply with the Terms of Reference in relation to the oversight of internal audit**

### **3) Oversight of the Council's relationship with the External Auditor**

#### **Audit Committee - 9 June 2022**

The Committee received a report of the Assistant Director of Corporate Governance and Strategic Financial Management which detailed the outcome of an external audit (by KPMG LLP) of the Housing Benefit Subsidy claim form for the financial year 2020/21. Overall, the report was positive and did not detail any findings which impacted on the subsidy claim.

#### **Audit Committee - 21 July 2023**

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 for the financial year 2022/23.

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

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

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

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

#### **Audit Committee – 8 September 2022**

The Committee considered a report of the Council's external auditors, Mazars LLP, which detailed the progress that had been made on the external audit of the draft Statement of Final Accounts for 2021/22 and other matters that the External Auditor felt appropriate to highlight.

The Auditor advised that the audit of the 2021/22 accounts could not be completed as the matter on the valuation of infrastructure assets had not yet been resolved.

#### **Audit Committee - 1 November 2022**

The Committee considered a report of the Assistant Director of Governance and Strategic Financial Management which presented to the Audit Committee the proposed appointment of the

External Auditor via the Public Services Audit Appointments procurement for five financial years between 2023/24 and 2027/28.

### **Audit Committee - 29 November 2022**

The Committee considered a report of the Head of Internal Audit and Counter Fraud presenting the latest position paper on the Financial Reporting Council's (FRC) transition to the Audit, Reporting and Governance Authority (ARGA) setting out how trust will be restored in local public external audit, and the FRC's report concerning the quality of Local Authority and National Health Service (NHS) audits across the UK Public Sector, both issued during 2022.

During 2022 the FRC issued two documents relevant to external audit in the UK public sector, including Local Authorities, as follows:

- FRC Position Paper – “Restoring Trust in Audit and Corporate Governance”, published in July 2022.
- FRC Major Local Audits – “Audit Inspection Report” published in October 2022.

The FRC Position Paper set out how the Financial Reporting Council (FRC) would support the Government's reforms as the FRC transitions into ARGA.

This FRC Audit Inspection Report set out the principal findings arising from a review of both the 2020/21 and 2021/22 accounts and Value for Money opinions at all six audit firms completing major local audits in England for both Local Authorities and the NHS (the firms), and how the firms should respond to the FRC findings. It also incorporated the findings of the Quality Assurance Division of the Chartered Institute of Chartered Accountants for England and Wales who reviewed a selection of the firms undertaking public audit.

The positive finding from this independent review is that for both Mazars LLP (who audit the Council's Statement of Final Accounts) and KPMG LLP (who provide direct grant audit for both Housing Benefit Subsidy and Teachers Pension Agency contributions) the audit quality was found to be good on the audits reviewed.

### **Audit Committee - 16 January 2023**

The Committee considered a report of the Director of Finance which advised Members on 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 had 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 16 December 2022.

The Committee also 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. 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 of errors for 2021/22 was much higher than that recorded for 2020/21. On 30 November 2022 the Teachers' Pension Agency confirmed it's agreement to the contributions paid over to them by the Council for the financial year 2021/22.

### **Audit Committee - 28 March 2023**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management concerning two recent developments. Firstly, it was advised that there was to be a change in the External Audit Team overseeing the Oldham Council audit function for the financial year 2022/23 and for the new Public Sector Audit Appointments (PSAA) contract period from 2023/24 to 2027/28. Secondly the report provided an update on the current review being undertaken by the Public Accounts Select Committee on the timeliness of Local Public Audit Reporting. Executive Summary.



The Committee's Members were informed that there was 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 tended to be every 7 years). In line with good practice Oldham's current Audit Partner was to change, 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.

The Committee was also informed that the Parliamentary Public Accounts Committee was carrying out a review into the timeliness of auditors undertaking their work and reporting their findings thereon. This has resulted in evidence being provided, on 16 March 2023 by: Grant Thornton LLP (detailed at Appendix 1 to the report); The Local Government Association (detailed at Appendix 2 to the report); and a Local Authority Section 151 Officer representing the sector (detailed at Appendix 3 to the report). The issues highlighted in this evidence detailed clearly the challenges facing the production and subsequent external audit of accounts.

The Committee also received the Draft Audit Completion Report of the Council's External Auditor, Mazars LLP, for the year ending 31 March 2022 on 28 March 2023. The contents of the ACR were positive and gave Members an assurance regarding the financial processes and practices that had been adopted by the Council. However, this report had to remain draft as there was one outstanding item preventing the full sign off of the accounts.

The contents of the ACR were positive and gave Members an assurance regarding the financial processes and practices that had been adopted by the Council.

The report presented the Council's response to the single recommendation highlighted in the 2021/22 draft ACR. The audit work had identified a minor matter which had resulted in one low priority recommendation. The recommendation related to the Council's insurance provision. In this regard, the Council obtained a report from an external expert to manage its self-insurance position. This report was used to determine the value of the insurance provision recognised in the accounts. However, the report was not produced for accounting and reporting purposes. The recommendation was that the Council's finance team should be further involved in the self-insurance valuation process and ensure the insurance provision elements met the definition of a provision.

Having regard to the issue identified, the Council had already addressed the issue in its work in preparation for the completion of the Statement of Accounts 2022/23. The Council had requested a more detailed valuation from the external expert and in addition had already, during the 2022/23 financial year, conducted a detailed review of the provisions held to ensure that there was a clearer working paper for the 2022/23 Statement of Accounts.

There was also discussion about the one outstanding audit item that was preventing the full sign off of the accounts. This related to the Greater Manchester Pension Fund (GMPF) audit and timing differences between the data the actuary has used in valuation reports and the pension fund valuation position GMPF has used for its accounts (as referred to in Item 7 of the agenda). It was agreed that if a satisfactory resolution could be found and this was the only adjustment required, the accounts for 2021/22 could be approved the Chair of the Audit Committee in consultation with the Director of Finance. This would then be reported to the next available Audit Committee.

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which presented the outcome of the external audit of the Housing Benefit Subsidy claim form (by KPMG LLP) for the financial year 2021/22. Overall, the report was considered to be reasonably positive but had highlighted some issues which have been reviewed in preparation for the 2022/23 audit process.

**Conclusion; The reports to the Audit Committee comply with the Terms of Reference in respect of providing oversight on external audit matters.**

#### **4) Review of Financial Procedure Rules and Contract Procedure Rules.**

The Council agreed to an update to both the Contract and Finance Procedure Rules at its meeting on 13 July 2022. The Audit Committee was not consulted upon the changes which was not consistent with the agreed Terms of Reference.

At its meeting on 20 July 2023 the proposed revisions to Finance Procedure Rules were considered by the Audit Committee in advance of their future approval by full Council. There is also a report on the Agenda proposing some revisions to Contract Procedure Rules.

Full Council agreed on 12 July 2023 some revisions to Contract Procedure Rules. These changes have been reported to the Audit Committee retrospectively on 20 July 2023 with further minor revisions proposed by the Director of Finance.

#### **Conclusion**

**The lack of reports to the Audit Committee during 2022/23 did not fully comply with the Terms of Reference when the Contract and Finance Procedure Rules were updated. The reporting of changes is now in the process of following the Terms of Reference from 2023/24.**

#### **5) Oversight of Corporate Governance**

##### **Audit Committee - 9 June 2022**

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

The Council is required to produce a Local Code of Corporate Governance, which is subject to review every two years or when there had been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was previously reviewed on 20 January 2020.

The Committee was informed that for the Council's External Auditor, Mazars LLP, to be enabled to carry out their duties required under the Local Audit and Accountability Act 2014, both the Director of Finance and the Vice Chair (in separate responses) were required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

ISAs require that the auditor make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected, or alleged fraud affecting the entity. The inquiries of the Vice Chair are made in part to corroborate the responses to the inquiries of management. Mazars LLP had sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the Director of Finance's proposed responses were considered by the Committee. Separately, the response of the Vice Chair to the questionnaire were also considered by the Committee.

##### **Audit Committee - 21 June 2022**

A report was provided detailing the draft Annual Governance Statement for the financial year 2021/22 which supported the draft Statement of Accounts which were considered at item 6 on the same Agenda.

Members noted that, at regular meetings of the Committee, update reports had been produced, highlighting the progress made on issues identified for improvement in the Annual Governance Statement produced for the financial year 2020/21 and identifying new issues that required consideration. This had informed the production of the Draft Annual Governance Statement for 2021/22.

The 2020/21 Annual Governance Statement previously reported to the Committee identified a total of ten issues for the Council to monitor in the financial year 2021/22 as to how the risk to the Council was being reduced. The issues highlighted included the need to strengthen internal

control within both the Payroll Service and the financial administration of systems in Adult Social Care. Both matters have been long term issues for the Council to address.

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

#### **Audit Committee - 21 July 2022**

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

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

#### **Audit Committee - 1 November 2022**

The Committee considered a report which updated the Annual Governance Statement previously considered on 21 June 2022. Other than some minor wording changes there were no fundamental changes to the draft Annual Governance Statement.

The Committee considered a confidential report, the purpose of which was an Update on the Annual Governance Statement for 2021/22 and New Issues for 2022/23.

The Committee considered a report from the Assistant Director of Corporate Governance and Strategic Financial Management the purpose of which was to update Members of the Audit Committee as requested at a previous meeting, on the perceived risks to the Council associated with the future operation of Northern Roots (Oldham) Limited. A Member suggested that the Committee should receive a 6 monthly dashboard report which gives details of potential risks on all Council associated projects.

A report detailed the current assessment of risk to the Council from the operation of the Northern Roots Charitable Company. (The report on Northern Roots had been included on the agenda of the 8 September meeting that had had to be adjourned).

#### **Audit Committee - 29 November 2022**

The Committee considered a report of Head of Audit and Counter Fraud which sets out the updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of Audit Committees.

During 2022, CIPFA issued a suite of updated guidance documents intended to inform and support the work of Audit Committees in organisations across the public sector, including Local Authorities. The guidance is aimed both at Members of the Audit Committee and those Officers who support the work of the Committee. The documents relevant to the work of Oldham Council's Audit Committee are:

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
- The Audit Committee Member in a Local Authority 2022 edition.
- Guiding the Audit Committee - Supplement to the Audit Committee Member guidance 2022 edition.
- Appendix E - Self-assessment of good practice.



- Appendix F - Evaluating the impact and effectiveness of the Audit Committee.

The last two documents are intended for use by the Audit Committee in assessing how the work of the Committee compares with best practice guidance, and the overall effectiveness of the Committee in supporting the Council and its objectives.

The Committee noted the release by CIPFA of a suite of documents relevant to the work of the Committee and approved the use of the Interactive Appendices E and F of the report to assess the performance and effectiveness of the Committee in supporting the Council in the delivery of the objectives of both the Committee and the Council.

### **Audit Committee - 16 January 2023**

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.

Members 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.

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 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.

### **Audit Committee - 28 March 2023**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, 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 2021/22.

The Committee considered a confidential report of the Assistant Director of Corporate Governance and Strategic Financial Management that informed Members on information security breaches and risk issues/actions. The report was a provisional year-end report which highlighted Information Security Incidents and related matters that had occurred from 1<sup>st</sup> April 2022 to 19<sup>th</sup> March 2023.

### **Corporate Governance Matters Not Considered by the Audit Committee.**

The Council operated a Standards Committee during 2022/23. There were no matters which required direct liaison with the Committee. This will be more formally developed during 2023/24 in partnership with the Director of Legal Services

In addition to establishing liaison with Standards the Committee will look to co-operate with the Scrutiny Boards and their Chairs to ensure work programmes are aligned to ensure the time set aside for both important functions is as effective as possible. When the next detailed review of the Audit Terms of Reference is undertaken it will have become a requirement for this liaison to be established.

**Conclusion; The Committee has complied with the Terms of Reference on the oversight of Corporate Governance**

## **6) Oversight of Treasury Management**

### **Audit Committee - 21 June 2022**

A report of the Director of Finance provided the Committee with the annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. The Committee noted the report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The report was commended to Cabinet and Council for approval.

### **Audit Committee - 1 November 2022**

The Committee considered a report of the Director of Finance which advised the Audit Committee of the performance of the Treasury Management function of the Council for the first half of 2022/23 and provided a comparison of performance against the 2022/23 Treasury Management Strategy and Prudential Indicators.

The Committee was presented with a Briefing Note which had been prepared to advise Members of the Audit Committee as to the key issues within the 2022/23 Treasury Management Half Year Review. The briefing note set out and expanded on the following 8 matters:

- (i) Compliance with Statutory and CIPFA requirement.
- (ii) Change in the Authorised Limit and Operational Boundary.
- (iii) The Council's Capital Expenditure and Financing during the first half of 2022/23.
- (iv) The Council's overall borrowing need.
- (v) Treasury Position at 30 September 2022.
- (vi) Borrowing Outturn.
- (vii) Investment Portfolio.
- (viii) Other Key Issues.

The Briefing Note referred to the repayment of £6.6 million of loan stock which had reached its maturity date at the end of September 2022 thus reducing the level of outstanding debt as the borrowing had not been replaced.

The Director of Finance made particular reference to the volatility of interest rates which have a major bearing on whether current Lender Option Borrower Option (LOBO) loans are repaid at their call in date or whether it would be appropriate to accept the increased interest rate on those loans for a further period. Members were advised that it was a case watching the markets and keeping borrowing position under review.

### **Audit Committee - 16 January 2023**

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 also required that the receipt by full Council of a Treasury Management Strategy Statement. The Strategy for 2023/24 covered two main areas:

- 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 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 as at 22 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 26 January 2023. Any comments from the Audit Committee or the Policy Overview and Scrutiny Committee would be incorporated into the report presented to Cabinet on 13 February 2023 and to Council on 1 March 2023.

**Conclusion; The Committee has complied with its Terms of Reference on the oversight of Treasury Management.**

## **7) Oversight of Risk Management**

### **Audit Committee 8 September 2022**

A report was included on the agenda to update Members of the Audit Committee on the Corporate Risk Register as at the end of June 2022. Whilst Members had received the report, the meeting had to be adjourned before the item could be considered (due to the announcement of the death of HM Queen Elizabeth II).

### **Audit Committee - 29 November 2022**

The Committee considered a report which updated Members of the Audit Committee on the Corporate Risk Register as at the end of September 2022. As the Committee charged with governance it is part of the role of the Audit Committee to scrutinise the Corporate Risk Register. The Committee was of the view that to allow the Committee to consider this item appropriately, the item be deferred to enable Appendix 1 to the report to recirculated to Members in a more readable format.

### **Audit Committee - 16 January 2023**

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

### **Audit Committee - 28 March 2023**

The Committee considered a confidential report of the Director of Finance that updated Members on the position of the Council's Corporate Risk Register as at the end of December 2022, although, given the timing of the meeting, this has been updated where possible to reflect matters in the last quarter of the financial year. As the Committee charged with governance it was a part of the role of the Audit Committee to scrutinise the Corporate Risk Register.

It was reported that the Council has an agreed Risk Management Strategy and Framework which was refreshed and shared with senior Council officers at a meeting of the authority's Management Board in July 2022. Most risks, identified in the report, were linked to the business planning process and were refreshed quarterly by services. Appendix 1 of the report detailed the actual items in the Corporate Risk Register.

**Conclusion; The Committee has discharged its responsibilities on providing oversight of Risk Management.**

## **8) Oversight of Information Governance**

### **Audit Committee - 9 June 2022**

The Committee received and endorsed the Annual Report of the Senior Information Risk Owner (SIRO) for 2021/22.

### **Audit Committee - 29 November 2022**

The Committee considered a report which updated Members of the Audit Committee on information security breaches, risk issues / actions for the first 6 months of the financial year 2022/23. The Committee requested that the Information Risk Management Policy be circulated to Members for information.

### **Audit Committee - 28 March 2023**

The Committee considered a confidential report that informed Members on information security breaches and risk issues/actions. The report was a provisional year-end report which highlighted Information Security Incidents and related matters that had occurred from 1<sup>st</sup> April 2022 to 19<sup>th</sup> March 2023.

**Conclusion; The Committee has discharged its responsibilities on providing oversight of Information Governance**



## Report to Audit Committee

## Revision to Financial Procedure Rules

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance

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**20 July 2023**

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### Reason for Decision

There is a requirement to review the Financial Procedure Rules (FPRs) on a regular basis. Such a review has recently concluded and the consequent revised FPRs are therefore presented for consideration. If the Audit Committee is content to accept the revisions, the FPRs will then be presented to Council for formal approval.

The Audit Committee's Terms of Reference state that:

#### ***4.4.2 The Audit Committee shall:***

***b) review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedures.***

### Executive Summary

Over the past few weeks, a detailed review of FPRs has been undertaken by officers from the Finance and the Internal Audit Teams. This has resulted in a range of proposed changes to improve the FPRs so that they reflect the current operating arrangements of the Council and current best practice.

Whilst the existing FPRs have served the Council well and remain fully functional, the document at Appendix 1 highlights the proposed changes and the document at Appendix 2 is that recommended for approval. The summary of changes is quite extensive with 4 general changes and 15 specific changes and whilst some of the amendments are quite

small, they are equally important. It is, however, essential that the Council's FPRs reflect best practice and are updated for recent local and national changes.

### **Recommendations**

That the Audit Committee approves the revisions to the Financial Procedure Rules and commends the document at Appendix 2 to Council for formal approval.

**1 Background**

- 1.1 Members will be aware that there is a requirement to review and as necessary, revise the Financial Procedure Rules (FPRs) on a regular basis. In this regard a review has been undertaken by officers of the Finance and Internal Audit Teams in order to ensure that the FPRs reflect current best practice, and any revisions to regulation, legislation and operational arrangements within the Council.
- 1.2 Attached as an Appendix 1 is a document that shows the proposed changes and Appendix 2 is an updated version of FPRs for the consideration of the Audit Committee.

**2 Current Position**

- 2.1 Over the past few weeks a detailed review of FPRs has been undertaken by officers from the Finance and Internal Audit Teams. This has resulted in a range of proposed changes to improve the FPRs.
- 2.2 Whilst the current FPRs have served the Council well and remain fully functional, the document at Appendix 1 details the proposed changes and Appendix 2 is an updated version of FPRs which is recommended for approval.
- 2.3 The changes that have been incorporated and are recommended for approval can be summarised as follows;
- a) Changes which appear throughout the document:
- A general review to strengthen and tighten wording and to align with other policies and protocols that have been subject to a separate review;
  - Revisions to the titles of posts and responsibilities of officers of the Council to reflect the current operational arrangements;
  - An updating of the Overview and Scrutiny Committee arrangements to reflect the introduction of Scrutiny Boards; and
  - Updating of the Risk Management policy statement and strategy to the Risk Management Strategy and Framework
- b) Specific changes:
- A revision to the definition of Senior Officer to include Assistant Directors;
  - The inclusion of a requirement for any changes to Financial Procedure Rules to be scrutinised by the Audit Committee to align with the terms of reference of the Committee (paragraph 1.3);
  - The requirement for the Scrutiny Boards to work with the Audit Committee on key operating decisions including scrutinising and reviewing key partnerships and grant programmes (paragraphs 1.9 and 1.10);
  - Given the increasing range and complexity of grant regimes, the inclusion of a specific requirement of the Director of Finance to ensure that the terms and conditions of grants awarded to the Council by Government and other public bodies and organisations, including the Greater Manchester Combined Authority, are complied with and that all grant claim forms are completed accurately and in a timely manner (paragraph 1.12 (j));

- The specific extension (previously implicit) of the requirements of the Director of Finance to report, under S114 of the Local Government Act 1988, that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure (paragraph 1.14 (d));
- Confirming established practice that the Reserves Policy will be subject to detailed scrutiny by the Audit Committee (paragraph 2.13);
- Providing the Director of Finance with some additional flexibilities to approve virements to address identified budgetary challenges having regard to the financial position of services and the Council (paragraph 3.6) and updating officer virement values (as these have not been changed for several years and the values are now considered too low);
- Changing the positioning of wording in relation to capital virements (moving 3.16 to 3.12);
- Introducing a specific requirement for managers of key Regeneration Projects to notify the Director of Finance in writing of all new risks or assets to be insured and of any alterations affecting existing insurances (paragraph 7.2);
- Revising the reporting of Treasury Management arrangements to reflect the new requirement to report on a quarterly basis (paragraph (10.3));
- Further clarification of the responsibilities regarding debt write off (paragraphs 12.17 and 12.18)
- Introducing a requirement, where an advance payment to the supplier or contractor of a supply/ works has already been agreed under a tender/ contract process, that the payment can only be agreed following the submission of an mod.gov report setting out the rationale (paragraph 13.20);
- Revising the requirements of the Director of Finance in relation to partnership working (paragraphs 20.1 and 20.2);
- Specifying when a loan must be approved by Cabinet – a value at over £0.400m (paragraph 20.8); and
- Revision to the value (paragraph 20.10) of the requirement for any grant award to be approved by Cabinet to align with the requirement for a key decision.

2.4 Whilst it may seem that there are a significant number of changes, the FPRs have been subject to a comprehensive review and some of the revisions are comparatively minor but provide improved clarity of purpose. It is important that the Council's FPRs reflect best practice and are updated to reflect recent local and national changes.

### **3 Options/Alternatives**

3.1 There are three options as follows:

- a) Accept the proposed changes to FPRs.
- b) Reject some or all of the changes to FPRs
- c) Propose alternative revisions to FPRs

### **4 Preferred Option**

4.1 Option (a) at 3.1 is the preferred option, that the proposed changes to FPRs are accepted.

### **5 Consultation**

5.1 There has been internal Council consultation on the revision to FPRs with officers from Finance and Internal Audit.



## **6 Financial Implications**

6.1 There are no specific financial implications arising from this report.

## **7 Legal Services Comments**

7.1 There are no direct legal implications arising from the report.

## **8 Co-operative Agenda**

8.1 The FPRs have been prepared to support the Council in its delivery of the cooperative agenda.

## **9 Human Resources Comments**

9.1 There are no specific human resources implications.

## **10 Risk Assessments**

10.1 The Council is required to review its FPRs on a regular basis to ensure that they reflect current best practice and revised working arrangements within the Council as well as regulatory and legislative changes. This update removes the risk that any activities undertaken have relied on outdated FPRs.

## **11 IT Implications**

11.1 There are no specific IT implications.

## **12 Property Implications**

12.1 There are no specific property implications.

## **13 Procurement Implications**

13.1 There are no specific procurement implications.

## **14 Environmental and Health & Safety Implications**

14.1 There are no specific Environmental and Health & Safety Implications.

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

15.1 There are no specific equality, community cohesion and crime implications.

## **16 Equality Impact Assessment Completed?**

16.1 Not Applicable.

## **17 Key Decision**

17.1 No.

**18 Key Decision Reference**

18.1 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 contained in Appendices 1 and 2  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

**20 Appendices**

20.1 Appendix 1: Financial Procedure Rules – Proposed Changes  
Appendix 2: Financial Procedure Rules – Revised Version

## Appendix 1



# Part 4 Financial Procedure Rules

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**Note: All references to Council posts in these Contract Procedure Rules shall be read as a reference to the equivalent post at the relevant point in time.**

For the purposes of these Financial Procedure Rules only, the following definitions apply:

**Senior Officer refers to** The Deputy Chief Executive, Assistant Chief Executive, Executive Director Place and Economic Growth, Managing Directors, Directors, [Assistant Directors](#) and Heads of Service

**Authorised Senior Officer refers to** those specific officers under the approved Scheme of Delegation to Officers under part 3 of the Council's Constitution.

## **1. FINANCIAL GOVERNANCE**

### **Council's responsibilities**

- 1.1 The Council has a statutory duty to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Council has resolved that the Chief Financial Officer (the post is currently designated as the Director of Finance) is the responsible officer.
- 1.2 The Council is responsible for the approval of the Financial Procedure Rules to be used by all Members and officers, including any amendments or additions presented by the Director of Finance. The Council is responsible for approving the procedures for recording and reporting decisions taken by the Council itself, or by the Executive, or under approved delegation arrangements. The Scheme of Delegation, which includes financial limits, is set out in the Constitution at Part 3.

### **Cabinet's responsibilities**

- 1.3 The Cabinet is responsible for ensuring that the Financial Procedure Rules are followed across the Council. The Cabinet is also responsible for arranging for a review of the Financial Procedure Rules [following scrutiny by the Audit Committee](#) at least every three years and for recommendations for any changes to be made to the Council. This is normally arranged through the Constitutional Working Group.
- 1.4 The Cabinet is responsible for preparing and recommending to Council the annual revenue budget and Council Tax level ~~and~~[and](#) once approved, for implementing and monitoring that budget.
- 1.5 The Cabinet is responsible for reviewing and recommending to Council a Capital Strategy and Capital Programme, a Medium Term Financial Strategy (which may be included within the Annual Revenue Budget Report), a Housing Revenue Account Budget, a Treasury Management Strategy and a Council

Tax Reduction Scheme, and once approved for implementing and monitoring the budgets and strategies.

- 1.6 The Cabinet is responsible for approving the Council's [Risk Management Strategy policy statement](#) and [Frameworkstrategy](#) and for reviewing the effectiveness of risk management arrangements.

### **Overview and Scrutiny responsibilities**

- 1.7 The Council will identify a relevant ~~Overview and Scrutiny~~ [BoardCommittee](#) or [BoardsCommittees](#) to be responsible for scrutiny of the Administration's Budget proposals, including all related calculations, Policies and Strategies and for the forwarding of comments and recommendations on those matters to the Cabinet, prior to recommendation to Council.

- 1.8 The Council will identify a relevant ~~Overview and Scrutiny~~ [BoardCommittee](#) or [BoardsCommittees](#) to be responsible for the overview of the Council's in-year financial performance.

- 1.9 —The Council will identify a relevant ~~Overview and Scrutiny~~ [BoardCommittee](#) to provide appropriate oversight of key operational decisions which fall within their remit including key partnerships and grant programmes where required, in conjunction with the Audit Committee.

### **Audit Committee's responsibilities**

- 1.910 The Audit Committee is responsible for reviewing the draft Annual Statement of Accounts and the Annual Governance Statement and approving the audited Council's Annual Statement of Accounts which incorporates the Annual Governance Statement. This Committee also provides oversight on the Council's Treasury Management Processes [and practices](#), the Corporate Risk Management Strategy, Counter Fraud Suite of Policies, Internal Control matters and Information Governance including the role of the Senior Information Risk Owner [and companies and partnerships \(in conjunction with the appropriate Scrutiny Board\)](#).

### **Capital Investment Programme Board (CIPB)**

- 1.110 The Capital Investment Programme Board has ~~the following~~ terms of reference [which specify that](#) —it will oversee the preparation and the delivery of the capital strategy and capital programme by:

- (a) Developing the overall Capital Strategy and annual programme in accordance with the priorities set out in the corporate plan
- (b) Recommending the overall capital strategy and programme to Cabinet and Council
- (c) Once the overall strategy and annual programme of expenditure has been approved at Council, the role of the CIPB is to:

- i) Consider and recommend approval of the detail of the thematic programmes (e.g. Transport Capital Programme);
- ii) Consider and recommend approval of any amendments to the annual programme;
- iii) Recommend approval of any new capital projects;
- iv) Undertake the detailed appraisal of projects, taking into consideration the Council's Capital Strategy, priorities and annual aims and objectives;
- v) Review the potential commercial risk and Value for Money issues on any proposal for the use of capital [expenditure or funding](#);
- vi) Provide a forum for establishing and providing robust challenge and debate around the Capital Programme;
- vii) Undertake a detailed annual review of the Capital Programme;
- viii) Review the Council's Capital Programme on an on-going basis and to ensure it is achieving the agreed outcomes together with consideration of the financial monitoring report;
- ix) Monitor the performance of projects and programmes within the Council's Capital Programme.

The CIPB oversees capital projects from inception to completion to ensure they are delivered efficiently and effectively and in line with the Council's corporate objectives.

The CIPB assesses all submissions for capital expenditure prior to them entering into the normal reporting process for approval. The Board therefore makes recommendations to the appropriate decision maker/forum, whether this is a Member under delegated responsibility, Cabinet or Council.

### **The Director of Finance**

1.124 The Director of Finance is responsible for the proper administration of the Council's financial affairs, and particularly for:

- (a) maintaining a continuous review of the [Financial Procedure Rules](#) and the submission of any additions or changes necessary for Council approval;
- (b) providing corporate financial advice and information to the Council i.e. on those issues where the Authority is regarded as one legal entity;

- (c) setting standards for good financial management including the accounting policies and financial procedures and records for the Council and monitoring compliance with those standards;
- (d) advising on the key financial controls necessary including maintaining an effective internal audit function to secure sound financial management;
- (e) ensuring that proper systems of internal control are operated and reporting breaches of the Financial and Contract Procedure Rules to Council, Cabinet, Audit Committee, or the Standards Committee as appropriate;
- (f) co-ordinating the preparation of the General Fund Revenue Budget and Medium Term Financial Strategy, the Housing Revenue Account Budget, Capital Strategy and Programme, the Treasury Management Strategy, the Council Tax Reduction Scheme, and once approved preparing reports to monitor budgets and strategies;
- (g) preparing the annual financial statements in accordance with the relevant accounting standards and codes of practice and any necessary technical accounting adjustments ;
- (h) treasury management activities, including reporting on prudential indicators;
- (i) preparing a Risk Management Strategy and Framework policy statement and promoting/ embedding it throughout the Council;
- ~~(i)~~ ensuring that the terms and conditions of grants awarded to the Council by Government and other public bodies and organisations, including the Greater Manchester Combined Authority, are complied with and that all grant claim forms are completed accurately and in a timely manner.

1.132 The Director of Finance also has a range of statutory duties, rights and responsibilities in relation to the financial administration and stewardship of the Council and will have regard to the Statement of the Chartered Institute of Public Finance and Accountancy on the Role of the Chief Financial Officer in Local Government

1.143 The Director of Finance must report to the Council under Section 114 of the Local Government Finance Act 1988, if:

- (a) a decision has been made, or is about to be made, which involves the incurring of expenditure which is unlawful;
- (b) there has been, or is about to be, an unlawful action resulting in a financial loss to the Council; ~~or~~
- (c) anyone or anybody is about to make an unlawful entry in the Council's accounts; or-



(d) it appears to him/her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

1.154 The Director of Finance may issue any instruction intended to fulfil these responsibilities and is entitled to any information or explanations as he/she may require.

1.16 The Director of Finance shall issue instructions and guidance to the Council in line with Section 25 of the 2003 Local Government Act. ~~With~~ With regard to the robustness of the estimates.

### **Senior Officers**

1.176 Senior Officers must ensure that proper financial controls are maintained in their service area.

1.187 Senior Officers must make arrangements to ensure that all ~~o~~ Officers involved in financial matters are aware of, and competent in the use of, these Financial Procedure Rules and the Council's financial ledger. The extent of delegated authority to officers must be recorded. See further guidance on the Scheme of Delegation in Part 3 of the Constitution. The main documents are also available on the Council's Website –

[https://www.oldham.gov.uk/info/100004/about\\_the\\_council](https://www.oldham.gov.uk/info/100004/about_the_council)

1.198 Senior Officers must ensure that the financial implications of all proposals in advance of any "key decision" report have been subject to approval by the Director of Finance and their representatives and the subsequent report sets out the financial implications.

1.2019 Senior Officers must ensure that the legal implications of all proposals in advance of the "key decision" report production have been subject to approval by the Director of Legal Services and the subsequent report sets out the legal implications.

### **Head of Paid Service (the Chief Executive)**

1.210 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. They must report to and provide information for the Council, the Cabinet; the ~~Overview and~~ [Scrutiny Boards Committees](#), and any other Committees of the Council. The Chief Executive is responsible for establishing the framework for management direction, style and standards and for the monitoring of performance for the organisation. The Head of Paid Service and the Monitoring Officer (the post is currently designated as the Director of Legal Services) are responsible for

the system(s) of record keeping in relation to all the Council's decisions (see below).

### **Monitoring Officer (Director of Legal Services)**

- 1.224 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct, including about financial matters, and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 1.232 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public as required by the Council's Access to Information Procedure Rules. The Monitoring Officer must ensure that Councillors are aware of such decisions made by the Cabinet, a Council Officer, or anyone else acting on the Authority's behalf, who have delegated executive responsibility.
- 1.243 The Monitoring Officer is also responsible for providing advice to anyone regarding who has responsibility or authority to take a particular decision. In relation to financial matters, s/he will consult with the Director of Finance before giving advice.
- 1.254 The Monitoring Officer is responsible for advising the Council or Cabinet about whether a decision is likely to be considered contrary to or wholly in accordance with the Policy Framework. Responsibilities for actions contrary to the budgetary framework lie with the Director of Finance.

### **External agencies and partnerships**

- 1.265 Where, as a result of legislation or a decision of the Council or the Executive, as the case may be, part of the Council's or the Executive's functions are delivered by an associated organisation, funded partly or wholly by the Council, the organisation must submit for approval by the Council its own arrangements for corporate governance. These arrangements will incorporate the spirit of the Council's Financial Procedure Rules and will include the Council's right of access to financial information about the associated organisation and information of the Council processed by the third-party organisation. Whilst Cabinet is responsible for overall risk management and strategy, the Audit Committee and Scrutiny function shall monitor the specific Council risks in relation to partnerships as part of its governance role
- 1.276 Specific technical terms and conditions may be used when the Council is deemed the Accountable Body for external Government or other funding. Where the establishment of such terms and conditions is a condition of the funding, the obligations of and risk to the Council in its role will be set out in reports where approval to act as the Accountable Body is sought.

1.287 Schools with delegated budgets are subject to, and must comply with, the 'Oldham Scheme for Financing Schools', which has tailored these Financial Procedure Rules for use in those Schools.

1.298 A reference in the Financial Procedure Rules to the Director of Finance includes his or her nominees; and to an officer means any employee of the Council, or other persons contracted to carry out functions where these Financial Procedure Rules apply.

### **Staff and Councillors**

1.3029 All staff and Councillors within the Authority are required to maintain and provide the highest standards of financial management, integrity and administration in line with these Financial Procedure Rules. Their conduct is also set out in the relevant Codes of Conduct included at Part 5 of the Constitution which they must be aware of and comply with at all times.

### **Council Owned Companies**

1.310 If the Council wants to set up on alternative delivery model for its services which involves the creation of a company including a Shareholding of the Council or the making of a loan, it can only do so following consultation on the implications with the Director of Finance and the Director of Legal Services.

## **2. PREPARING AND MANAGING THE REVENUE AND CAPITAL BUDGET**

### **Financial Planning Framework**

2.1 It is a legal requirement for the Council to ringfence and separately manage many of its financial resources and expenditure. The main “ringfenced” areas include:

- Housing Revenue Account income and expenditure;
- Income and expenditure relating to schools (including the Dedicated Schools Grant);
- Capital expenditure and resources;
- The Collection Fund (Council Tax and Business Rates income).

2.2 Any income or expenditure which does not fall within ringfenced categories is deemed to fall within General Fund (non-schools).

2.3 Ringfencing means that the Council is either not permitted or is heavily restricted in its ability to vire resources in or out of a particular ring-fenced area. For example, the Council is not generally permitted to use capital resources to fund revenue expenditure (an exemption to this exists for the period 2022/23 to 2024/25 whereby the flexible use of capital receipts permits the use of such resources to finance expenditure incurred on transformational activity).

- 2.4 The situation is further complicated by the fact that certain resources within each of the ring-fenced areas have to be earmarked to particular activities. For example, capital and/or revenue grants that have been provided specifically to finance particular schemes.
- 2.5 Having regard to all statutory ring-fencing arrangements, the Director of Finance, after consulting the Cabinet and Authorised Senior Officers shall be responsible for designing and implementing the annual budget and medium-term financial planning arrangements. The Director of Finance is responsible for the preparation of a corporate revenue budget and [the provision of](#) advice on the setting of a Council Tax, a Capital Strategy and programme, a Treasury Management Strategy, a Housing Revenue Account budget and a Council Tax Reduction Scheme.

### **Preparation of the Corporate Plan**

- 2.6 The Chief Executive is responsible for proposing the Corporate Plan to the Cabinet for consideration before its submission to the Council for approval. When compiling the Plan, and in conjunction with other Authorised Senior Officers the Chief Executive will ensure that the plan is assessed and moderated by the Director of Finance

### **Budget Preparation**

- 2.7 The Director of Finance will advise the Cabinet of each year about the detailed plans to prepare both the Annual Budget for the next financial year or two years and to update the Medium Term Financial Strategy (which can cover a period of up to five years). The budget process will then be prepared following the standards set out by the Director of Finance.
- 2.8 The Director of Finance, following the detailed work, will submit to the Budget Council meeting (usually held in February) each year a Medium Term Financial Strategy for the following three to five years, and budget planning totals for all services and central budgets.
- 2.9 [Senior Council officers will prepare budget reduction proposals for Members to consider, however,](#) Prior to final decision making, and in good time to allow meaningful consultation, the Council will make arrangements to consult with the public, partners, staff and business community on the budget reduction proposals being considered for future financial years.
- 2.10 The Cabinet, having regard to comments resulting from the consultation process outlined above (including those of the relevant [Overview and Scrutiny Board Committee](#)), will consider these budget reduction proposals in detail and make its recommendations to the Council before the date set for the meeting of the Council which will determine the budget (Budget Council).
- 2.11 The Director of Finance will advise the Cabinet and the Council on the overall budget, the levels of Council Tax, the use of reserves and the need for contingency budgets/balances, the robustness of the estimates and

affordability and prudence of capital investments and on the risks that may exist in relation to the forecasts of spending levels and income.

- 2.12 Senior Officers will, in accordance with the Business Planning timeframe, produce draft service plans and budgets in accordance with the Budget Planning totals. These draft plans will explain the service changes proposed to be made, taking into account the Council's Corporate Plan, performance targets and the resources allocated.

### **Resource Allocation**

- 2.13 The general level of balances and reserves to be maintained by the Council shall be calculated and recommended for approval by the Director of Finance using a risk based approach in advance of the setting of the Budget for the approaching financial year. This will support the budget decisions being taken at the Council meeting which sets the Council Tax. The level of balances and reserves shall be subject to regular review in the budget monitoring reports presented to Cabinet during the financial year. At the year-end as part of the production of the Annual Statement of Accounts the Director of Finance shall assess the risks facing the Council and prepare the [Accounts Statements](#) to minimise future unbudgeted expenditure including the assessment of required reserves in accordance with the Councils agreed policy on Reserves. [The Reserves Policy will be subject to detailed scrutiny by the Audit Committee.](#)
- 2.14 The Director of Finance is responsible for developing and maintaining a resource allocation process which: ensures due consideration of the Council's policy framework; and takes into account properly, current information on the Council's financial position and prospects for the future. It will also include an annual review of the budget to ensure that the resources allocated to each budget heading remain appropriate in the light of corporate priorities, business developments and national and local spending trends.

### **Reporting**

- 2.15 The Cabinet is responsible for ensuring that Service and Corporate Plans are implemented within the resources allocated in the Revenue and Capital Budgets. The Director of Finance will provide information on the Council's performance against the Revenue and Capital Budgets to Cabinet and the relevant [Overview and Scrutiny Board Committee](#) at regular intervals over the financial year. The report will include the projected out-turn ~~for~~ the agreed budgets, Collection Fund, Housing Revenue Account and Dedicated Schools Grant. In addition, and as appropriate, the Audit ~~or Scrutiny~~ Committee [and/or Scrutiny Board](#) will receive reports that include financial information on key partners and the progress made on issues identified with the Annual Governance Statement.
- 2.16 The general format of the budget proposed by the Cabinet to Council will follow that advised by the Director of Finance. The draft budget should include [indicative allocations](#) to different services and projects, proposed taxation

levels and any contingency funds/balances. The headings proposed will be those advised by the Director of Finance.

- 2.17 Senior Officers will control income and expenditure within their areas of responsibility. They will monitor performance, taking account of financial information provided by the Director of Finance. They should report on actual variances within their own areas, and on the possible likelihood of them. They must also: alert the Director of Finance to any problems; consult with the Director of Finance about the remedial action necessary to avoid exceeding their budget allocations: and take the remedial action agreed.
- 2.18 CIPB is responsible for advising Cabinet on the overall financial commitments of the overall capital programme in accordance with the overall [Capital Strategy](#) agreed by Cabinet.

### **Managing Budgets**

- 2.19 Senior Officers are responsible for managing budgets within their delegated authority. They must take action to avoid overspending [respective](#) budgets and report any difficulties to the Director of Finance.
- 2.20 Senior Officers should delegate authority to commit budgets to the appropriate level of management, make arrangements to set out clearly the extent of authority of managers, and review the performance of managers in managing [and controlling](#) these budgets.
- 2.21 Senior Officers must, in consultation with their financial support officers, use the financial reports from the financial ledger and review their budgets on a monthly basis. This must inform the regular budget monitoring undertaken by the Director of Finance.
- 2.22 The Director of Finance is accountable for all corporate and contingency budgets, which will be managed in the same way as service and activity budgets.
- 2.23 Where, as a result of a mistake or error by an officer, the Council becomes liable for any charges, penalties or additional expenses, such costs will be met by the Service in which the error is made.

### **Carry forwards and recovery of overspends**

- 2.24 Carry forward is a mechanism for transferring budgetary resources from one year to the next, or vice versa. This will be determined during the production of the Statement of Accounts.
- 2.25 The Cabinet is responsible for approving changes to the Council's Revenue Budget arising from the carry forward process.
- 2.26 If the carry forward process is to be applied, there will be a presumption that [the carrying forward of any](#) underspending will only be allowed subject to a



Directorate managing its resources in line with its agreed budget. All overspendings may be recovered in the following financial year following the advice of the Director of Finance.

- 2.27 The Council, in determining the Revenue Budget for a particular year, will review any arrangements for carry forward for that year and can change the guidance on advice from the Director of Finance.

### **Risk Management and Control of Resources**

- 2.28 It is essential that robust, integrated systems exist to identify and evaluate all significant operational risks to the Council. These systems will be maintained by the proactive participation of everyone associated with the planning and delivery of Oldham Council's services to its [residents.citizens](#).
- 2.29 The Director of Finance is responsible for preparing the Council's Risk Management Strategy and Framework, which includes the approach to ensuring proper insurance cover, and for promoting the Strategy and Framework throughout the Council, and for ensuring advice to the Cabinet Member with responsibility for Finance on appropriate insurance cover.
- 2.30 The Cabinet is responsible for approving the Council's Risk Management Strategy and Framework. Monitoring of the effectiveness of risk management is undertaken by the Audit Committee on behalf of the Cabinet.
- 2.31 Internal Control is the systems of control devised by management to help ensure the Council's objectives are achieved in ways which promote economic, efficient and effective use of resources and which ensure that the Council's assets and interests are safeguarded.
- 2.32 The Director of Finance will advise the Council at all levels on the requirements for an effective system of Internal Control. Arrangements devised and implemented will ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They will also ensure that public money is properly safeguarded; and is used economically, efficiently, effectively and in accordance with the statutory and other authorities which govern their use.
- 2.33 It is the responsibility of Senior Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets. In doing this they must consult as necessary with the Director of Finance about matters past and present and future which bear upon the framework of Internal Control.
- 2.34 The CIPB will develop and maintain sound arrangements for managing the Council's Capital Programme in accordance with the instructions of the Cabinet.

## **Production of Accounts**

- 2.35 The Director of Finance shall consolidate and produce the Authority's statutory accounts. Accounts will be prepared in accordance with the relevant statutory requirements [\(including timelines\) and Codes of Practice](#).
- 2.36 Senior Officers shall assist the Director of Finance to undertake the closure of their Directorate accounts which must be in accordance with the standards, timescales and format set by the Director of Finance.
- 2.37 The Director of Finance is responsible for ensuring that the Annual Statement of Accounts is prepared in accordance with the CIPFA/LASSAC Code of Practice on Local Authority Accounting in the United Kingdom. This will include an assessment of the financial risks facing the Council.
- 2.38 The Audit Committee has delegated authority from the Council for approving the Annual Statement of Accounts.
- 2.39 The Director of Finance shall report to Cabinet and Council, after the accounts have been audited, the out-turn for the previous year for both the revenue and capital programme, identifying the out-turn against budget [and the findings outlined in the Audit Completion Report prepared by the External Auditor](#).

## **Grants from third parties (other than from Central Government or GMCA)**

- 2.40 Where a [Head of Service Senior Officer](#) proposes to accept grant funding from a third party or taking on accountable body status, which exceeds the sum of £50,000, then the [Head of Service Senior Officer](#) should, in advance of accepting the funding, seek an appraisal of that proposal which will involve the approval of the Director of Legal Services and Director of Finance.
- 2.41 Where the amount of the proposed third party grant exceeds the sum of £250,000, this will become a key decision and therefore a report to Cabinet will be required in order to gain approval to accept the funding.

## **3. CHANGES TO THE OVERALL AGREED REVENUE AND CAPITAL BUDGET**

- 3.1 Senior Officers will propose items during their normal course of business which —could have financial implications to increase the overall agreed net revenue and/or capital budget of the Council. Where the expenditure is capital, the revenue implications also need to be calculated. —Notification of Government grant funding often arrives late, after the annual budget has been set and therefore outside the normal budget approval cycles. Such grant notifications also often have short acceptance timeframes. If the net impact of a Government grant is neutral (i.e., the grant covers in full the anticipated expenditure) to the overall agreed budget, then the grant can be accepted, and funding committed in accordance with the grant conditions.



- 3.2 Where there is additional cost to the Council, then in each case the potential commitment needs to be fully costed setting out the impact on the budget with details of how any additional cost will be financed and its performance effect. Where appropriate and after consultation with the Director of Finance, a report must be presented to Cabinet for consideration, but a capital matter must first be considered at the CIPB.
- 3.3 Any motion or report submitted to the Council which, if carried, would increase the Council's net revenue or capital budget or might otherwise contravene Financial Procedure Rules shall stand adjourned without debate and be referred to the Cabinet to receive a report on the detailed financial implications. When the Council reconvenes to consider the motion or report, it shall receive the recommendation of the Cabinet on the matter before making a decision on the motion or report and on whether to effect any change to the Council's approved Budget.
- 3.4 In the event of urgency, the Council may consider such an item without delay on receipt of a report from the Cabinet Member with responsibility for Finance as to the financial implications.
- 3.5 All proposals which involve a change to the overall revenue or capital budget need to be considered in accordance with the advice of the Director of Legal Services and Director of Finance.

## **Virements**

### **Revenue Budget Virements**

- 3.6 The Cabinet is responsible for agreeing procedures for virements (the transfer of resources) between department, earmarked reserves and service budget headings. The framework that exists ensures that virements which are associated with a significant change in the level of service from that set out in the service plan must be approved by the Member with Portfolio in consultation with the relevant Authorised Senior Officer. [However, the Director of Finance may approve virements to address identified budgetary challenges having regard to the financial position of services and the Council has a whole.](#)
- 3.7 The Director of Finance may approve an increase in an approved Department budget by a transfer from another approved Department budget under the control of another Authorised Senior Officer where: -
- (i) both budget heads are cash limited; and
  - (ii) the variation does not exceed £250,000.
- 3.8 ~~Heads of Service in consultation with the relevant~~ Authorised Senior Officers, are authorised to transfer resources within a service budget subject only to the maximum amount of virement on any one activity not exceeding 5% or

£50,000, whichever is the smaller. Where the aggregate of such virements exceeds £250,000 in a financial year, and if in the opinion of the Director of Finance it is appropriate to do so, the Director of Finance and the appropriate ~~Senior~~ Authorised ~~Senior~~ Officer will jointly report to the relevant Member with Portfolio and the Cabinet Member with responsibility for Finance.

3.9 Authorised Senior Officers may approve a virement into an approved budget head under their management control by a transfer from another approved budget head where: -

- (i) both budget heads are cash limited; and
- (ii) the virement does not exceed £100,000.

Authorised Senior Officers are responsible for formally approving, and for notifying to the Director of Finance, the record of their approval to in-year virements within service budget headings, and within the limits delegated to them.

3.10 Authorised Senior Officers must consult with the Director of Finance about all virements above their approved, delegated limits before allowing any action in respect of them to take place. All virements above the above limits must be approved by the relevant Members with responsibility for Portfolios and Cabinet.

Note - "Approved budget" above means the original provision made when the annual budget was approved by Council, plus or minus any variation which has been approved subsequently.

### **Capital Budget Virements**

3.11 The Council has agreed that CIPB will make recommendations on virements within the overall agreed capital plan of the Council in the following areas:

- Between programme areas. This will be actioned by the Executive Director, Place and Economic Growth in consultation with the Director of Finance and Cabinet Member with responsibility for Finance;
- Within approved programme areas. This will be actioned by the Executive Director, Place and Economic Growth in consultation with the Director of Finance and Cabinet Member with responsibility for Finance.

[3.12 Whenever a project is to be funded via prudential borrowing it shall be done in accordance with the Council's Borrowing Strategy.](#)

### **Virements – General Protocols**

3.132 The Director of Finance will report as part of the regular budget monitor to the Cabinet and the relevant ~~Overview and Scrutiny~~ Board Committee,

summarising any variations of the annual estimates including transfers to and from earmarked reserves for consideration at that meeting.

3.143 A virement is specifically not allowed where the transfer of resources is from budgets for capital charges and statutory taxes and levies.

3.154 All virements will be recorded in a way prescribed by the Director of Finance, who will arrange for virements to be reported to the Cabinet, where appropriate.

3.165 ~~Heads of Service~~ Senior Officers are authorised to incur any expenditure included in the approved revenue budget for the Service, as amended by any virement.

~~3.16 Whenever a project is to be funded via prudential borrowing it shall be done in accordance with the Council's Borrowing Strategy.~~

## 4. CAPITAL PLAN PREPARATION AND MANAGEMENT

### Responsibilities

4.1 The Council is responsible for agreeing the overall allocation of resources to the Council's Capital Strategy and Programme.

4.2 The Cabinet is responsible for recommending to the Council a multi-year Capital Strategy and Programme. The CIPB undertakes overall management oversight for the Capital Strategy and Capital Programme on behalf of the Cabinet.

### Capital Strategy and Programme Preparation

4.3 The Cabinet will submit to the Council each year a multi-year Capital plan with planning totals for the main programme areas for at least the three following years, to align with the Medium Term Financial Strategy.

4.4 The Capital Investment Programme Board determine the criteria for the selection of projects to form the Capital Programme. This will assist the Director of Finance to prepare a programme of capital schemes for consideration by [the CIPB, Overview & Scrutiny Board Committee](#) and then by Cabinet.

4.5 The Cabinet will recommend, and Council will approve the initial allocations to projects and programme areas.

4.6 CIPB will recommend the subsequent allocations of resources from programme areas to projects within the overall total agreed by Council.

4.7 The Director of Finance will advise the Cabinet and the Council on the overall Capital Programme and levels of funding available.

- 4.8 ~~Heads of Service~~Senior Officers are responsible for providing details of all projects in a format prescribed by the Director of Finance.

### **Capital Programme Management**

- 4.9 The Cabinet is responsible for implementing the Capital Programme within the resources allocated. The Cabinet will provide summary monitoring information to the Council when required. The CIPB delivers the detailed implementation of the Capital Programme. CIPB operates in accordance with the principles set out in these Financial Procedure Rules.

- 4.10 The CIPB will recommend capital budget virements in accordance with the protocol set out at paragraph 3.5

- 4.11 The Leader of the Council in consultation with the Chair of the CIPB , may also delegate authority under Financial Procedure Rules 4.10 to individual Cabinet members, in consultation with key statutory officers. The Leader of the Council, in consultation with the Chair of the CIPB is required to determine arrangements for delegation, which may differ between service areas. The Leader, in consultation with the Chair of the CIPB, may delegate to Directors authority to exercise virement within a programme area, provided that: -

- (a) the spending on the whole programme area being contained within the resources allocated;
- (b) Directors report retrospectively to Cabinet on the use of this authority as part of the regular monitoring on the Capital Programme.

Such delegations will be recorded in a scheme of delegation to Cabinet members included at Part 3 of the Constitution.

- 4.12 All virement will be recorded in a way prescribed by the Director of Finance, who will arrange for virements to be reported to the Cabinet.

- 4.13 ~~Heads of Service~~Senior Officers are responsible for managing programmes and projects. They must take action to avoid overspending the amounts provided in the Capital Plan and report any difficulties to the Director of Finance.

- 4.14 ~~Heads of Service~~Senior Officers must prepare regular reports on the progress of projects in a format and to a timetable prescribed by the Director of Finance.

- 4.15 The Director of Finance will report to the Cabinet and the relevant [Overview and Scrutiny Board](#)Committee on the projected overall out-turn of the Capital Programme as part of the regular budget monitoring reports.

- 4.16 The inclusion of a project within the Capital Programme confers authority to proceed with planning applications and the completion of feasibility studies and option appraisals.

- 4.17 ~~Heads of Service~~Senior Officers must prepare a business case in respect of each project before proceeding to detailed project design or land acquisition. The business case should be prepared in a format prescribed by the Director of Finance and must be considered by the CIPB. The Cabinet will in some instances decide that the business case should be prepared for a whole programme area, or a group of projects. The Cabinet may delegate its authority to approve business cases to Authorised Senior Officers in consultation with Cabinet members or CIPB.
- 4.18 Once a business case is approved, ~~Heads of Service~~Senior Officers are authorised to proceed to detailed design and to commit to contracts providing:
- (a) that the total costs of a project including tenders or quotations, fees etc, are estimated to be less than or equal to the amount approved in the business case and the Capital Programme;
  - (b) that where the total costs of a project exceed the amount approved in the business case and the Capital Programme and the excess is within the agreed tolerance levels, the appropriate virement has been approved to finance the additional cost;
  - (c) all necessary external approvals, if any are required, have been obtained;
  - (d) the incurring of the expenditure has been authorised by the Director of Finance;
  - (e) that any contract shall be executed in accordance with the Contract Procedure Rules.
- 4.19 The tolerance levels set out in Financial Procedure Rule 4.18(b) will be calculated at 10% of the approved estimate or £25,000 whichever is the greater. If this tolerance level is exceeded the approval to proceed must be sought by reporting to Cabinet (which may be by inclusion of the issue within the regular capital monitoring report).
- 4.20 The Director of Finance will authorise the incurring of the full project costs provided he/she is satisfied that the approval will not give rise to any further expenditure not provided for in either the Capital Programme or the Revenue Budget.
- 4.21 During the completion of corporate projects totalling £250,000 and over, ~~Heads of Service~~Senior Officers must co-operate with any requirement to complete a gateway review and the production of reports to CIPB setting out the outcomes from the project and whether these are matching the planned outcomes set out in the original business cases. Further phased expenditure on a project cannot be agreed until an appropriate business case has been

approved by CIPB and an appropriate report produced as per agreed delegations.

## 5. FINANCIAL SYSTEMS AND PROCEDURES

- 5.1 The Director of Finance is responsible for setting the standards of the operation of the Councils accounting and financial systems, the form of accounts and the supporting financial records. Any changes to the existing financial systems, processes or procedures; or the establishment of new systems to meet the specific needs of a Service must have prior written express approval of the Director of Finance before being implemented.
- 5.2 ~~Heads of Service~~Senior Officers and key partners must ensure that officers understand and are competent to undertake their financial responsibilities and receive relevant financial training that has been approved by the Director of Finance
- 5.3 ~~Heads of Service~~Senior Officers and key partners are responsible for the proper operation of financial processes in their own departments and must ensure that all financial, costing, and other statistical information is recorded fully and accurately.
- 5.4 ~~Heads of Service~~Senior Officers and key partners must ensure that financial documents are retained in accordance with the Council's approved retention schedule.
- 5.5 As far as practicable, ~~Heads of Service~~Senior Officers must make arrangements for the separation of duties between the carrying out of transactions and the examining and checking of transactions.
- 5.6 Any departure from using corporate accounting and financial systems must be approved and justified on cost/service grounds to the Director of Finance before the commitment to change is agreed.
- 5.7 Authorised Senior Officers together with key partners must ensure that, when appropriate, computer based, and other systems are registered in accordance with Data Protection Legislation and that staff are aware of and fulfil their responsibilities under freedom of information legislation.
- 5.8 Grant claims, financial returns and submissions must be completed by the relevant ~~Senior Officers~~Heads of Service and/or appropriate Finance Officers and authorised by the Director of Finance or their designated representative prior to submission to a Government Department or other external agency.
- 5.9 Where there is a requirement for the certification by the Chief Internal Auditor, Director of Finance or the Chief Executive, of grant related expenditure incurred by the Council, this should be obtained by the Service in advance of the submission of the certified grant claim.

- 5.10 Any proposals to use leasing to finance any expenditure within the Council, excluding schools' budgets, should be subject to review by the Director of Finance or their representative to ensure the financial implications receive appropriate consideration.

## 6. INTERNAL AUDIT AND COUNTER FRAUD

### Responsibility & Authority

- 6.1 Under the Accounts and Audit ([Amendment](#)) Regulations 2015~~22~~ the Director of Finance must arrange and direct a continuous Internal Audit, which is an independent review of the accounting, financial and other operations of the Council. The Public Sector Internal Audit Standards (PSIAS) ("Standards") came into effect on 1 April 2013, replacing the 2006 Code of Conduct, and was then revised in 2017. The Standards are mandatory for all central government departments, local government and agencies and have been developed based in global and national best practice. They are intended to promote professionalism, quality, consistency and effectiveness of Internal Audit across the public sector and for local authorities, are supported by CIPFA. Therefore, the scope, objectives and operation of Internal Audit in Oldham is that recommended by CIPFA and set out in the Standards.
- 6.2 The Chief Internal Auditor (the ~~Assistant Director for Corporate Governance and Strategic Financial Management~~[Head of Internal Audit and Counter Fraud](#) performs that role for Oldham Council), or role(s) designate will report directly to the Chief Executive and the Chair of the Audit Committee in any circumstance where the functions and responsibilities of the Director of Finance are being reviewed. The Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The Chief Internal Auditor, in accordance with the PSIAS, will provide an Annual Opinion on the overall internal control environment of the Council [to the Audit Committee](#).
- 6.3 Internal Audit and Counter Fraud Staff have the authority to:
- (a) enter at all times any Council premises or land or location from which Council services are provided;
  - (b) have access to all property, records, documents and correspondence relating to all activities of the Council;
  - (c) require and receive explanations concerning any matter; and
  - (d) require any employee of the Council, without prior notice, to produce cash, stores or any other property for which they are responsible.

### Reporting

- 6.4 The Director of Finance must report upon:



- (a) the risks inherent in and associated with the operational/service processes and information technology;
- (b) the soundness, adequacy and application of the financial and other management controls and systems within each Service;
- (c) the extent of compliance with, and the financial effects of, established policies, plans and procedures;
- (d) the extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause;
- (e) the suitability, accuracy and reliability of financial and other management data within the organisation; and
- (f) value for money aspects of service provision.

6.5 In respect of any Internal Audit and Counter Fraud report or communication issued, the ~~Head of Service~~ Senior Officer, and/or their nominated deputy, must reply within 3 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments a reply must be made within 2 weeks of issue.

6.6 Authorised Senior Officers responsible for an area of service provision / financial or other management system which is the subject of Internal Audit recommendations, must respond to Internal Audit and Counter Fraud requests for progress and status updates against previously agreed Internal Audit recommendations. This requirement exists until all recommendations are actioned satisfactorily.

6.7 The Chief Internal Auditor will report to the Audit Committee on a cyclical basis about the findings of Internal Audit and Counter Fraud, the progress on issues in the Directorate Risk Register and Assurance Statements in each of the Directorates. The Chief Internal Auditor will report the Annual Report and Opinion on the System of Internal Control for the year ended 31<sup>st</sup> March (year, as relevant) to the Audit Committee.

### **Investigations and Suspected Fraud or Corruption**

6.8 The Chief Internal Auditor is responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud service at Oldham Council operates as recommended by CIPFA. The Cabinet Office also provide guidance on professional Counter Fraud standards across the public sector, and such guidance is followed in Counter Fraud activities undertaken by Oldham Council.



- 6.9 The Director of Finance is responsible for the development and maintenance of the Counter Fraud suite of strategies and for directing the Council's efforts in fraud investigation. The Director of Legal Services supported by the Chief Internal Auditor is responsible for the development of the Whistleblowing Policy and the Chief Internal Auditor is responsible for the assessment of Whistleblowing disclosures against the Public Interests Disclosure Act 1998 and reporting disclosures to the Monitoring Officer.
- 6.10 Authorised Senior Officers must ensure that all Members and employees are:
- a) aware of the Council's Anti-Fraud and Anti-Corruption Strategy;
  - b) aware of the Whistleblowing Policy;
  - c) operating in a way that maximises internal check against inappropriate behaviour; and
  - d) able to undertake the on-line training package on preventing fraud supported by the Council.
- 6.11 It is the duty of any officer who suspects or becomes aware of any matter which may involve loss or irregularity concerning cash, stores or other property of the Council or any suspected financial irregularity in the operations or exercise of the functions of the Council to immediately advise their Head of Service/[Senior Office](#). The Head of Service/[Senior Officer](#) concerned must immediately notify the Director of Finance who may take action by way of investigation and report.
- 6.12 Where, following investigation, the Director of Finance considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Head of Service/[Senior Officer](#) on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service.
- 6.13 Where there are sufficient grounds to believe that a criminal act may have been committed and it is agreed to refer the matter to the Police for investigation, this should be recorded on a central log of "matters referred to the Police" maintained by Internal Audit and Counter Fraud.
- 6.14 The Chief Internal Auditor shall on an annual basis maintain and update the Fraud and Loss Risk Assessment of the Council.

## 7. **INSURANCE**

- 7.1 The Director of Finance, in consultation with ~~Heads of Service~~[Senior Officers](#) is responsible for assessing insurable risks and for arranging all insurance cover, including the management and control of the insurance fund. He/she will control all claims and maintain records of them.

- 7.2 ~~Heads of Service~~Senior Officers and specifically managers of key Regeneration Projects must promptly notify the Director of Finance in writing of all new risks or assets to be insured and of any alterations affecting existing insurances. All insurances held must be reviewed on an annual basis.
- 7.3 In the event of any insurance claim or occurrence ~~Heads of Service~~Senior Officers must:
- (a) not admit liability where this may prejudice the outcome of any settlement;
  - (b) promptly notify the Insurance Portfolio Manager in writing, of any loss, liability, damage or any event likely to lead to a claim; and
  - (c) inform the Police in the case of loss or malicious damage to Council property.
- 7.4 ~~Heads of Service~~Senior Officers must consult the Director of Finance and the Director of Legal Services as to the terms of any indemnity the Council is required to give.
- 7.5 The Director of Finance will determine the extent of insurance cover in line with Contract Procedure Rules which must be provided for in any external contract for the supply of goods, works or services. The Director of Finance/Assistant Director of Finance, in consultation with the ~~Head of Service~~Senior Officer, and Director of Legal Services, may reduce the cover requirements in respect of specific contracts.

## 8. ASSETS

- 8.1 ~~Heads of Service~~Senior Officers are responsible for the care and custody of all current and fixed assets of the relevant service (including stocks, stores, inventory items and all other items used for the Council's purposes, including property). These items must only be used for the authorised purposes of the Council. Assets must be recorded in Oldham Council's Asset Register, in accordance with the CIPFA Code of Practice.
- 8.2 ~~Heads of Service~~Senior Officers must ensure that contingency plans exist for the security of assets and the continuity of service in the event of any disaster, significant event, or system failure. Whilst the Council's Emergency Plan, Business Continuity Plans and its Disaster Recovery Plan for Information Systems are the main devices to be used and followed by Authorised Senior Officers, they are not exhaustive, and should be added to or improved upon by them when necessary.

### Disposal of Assets

- 8.3 Surplus or obsolete goods, materials and inventory items are to be disposed of by agreed transfer to another Service, competitive sale or public auction in accordance with both Contract Procedure Rules and the Land and Property

Protocols, except when the Cabinet instructs otherwise. Where appropriate, the Council's Asset Register should be amended accordingly.

- 8.4 Leased items should only be disposed of in accordance with the instructions of the lessor.

### **Stores**

- 8.5 ~~Heads of Service Senior Officers~~ must keep records of all stock items in excess of £100 held and certify the value for accounting purpose at 31 March of each year. The Director of Finance will determine which items will be subject to stock accounting, the methods of recording and valuation.

- 8.6 ~~Heads of Service Senior Officers~~ must arrange periodical or continuous checks of stock. This should be by persons independent of the management of the stock. These arrangements must ensure that all items of stock are checked at least once per year. The Director of Finance will be notified of any discrepancies revealed by periodic checks and is authorised to amend records accordingly.

- 8.7 Stock holdings should be kept at minimum levels consistent with normal working practices

### **Inventories**

- 8.8 ~~Heads of Service Senior Officer~~ are responsible for ensuring that detailed inventories of all land, buildings, equipment, furniture, fittings, vehicles, plant and machinery are compiled and kept up to date. New inventory items must be entered promptly, and redundant items deleted and disposed of in accordance with Financial Procedure Rule 8.3. The form of inventory and the type of assets recorded thereon will be determined by the Director of Finance after consultation with the appropriate ~~Head of Service Senior Officer~~.

- 8.9 The inventory should include:

- (a) the nature, type, model, serial number, location, quantity, value, date of acquisition;
- (b) all items of, or collection of similar items valued at, more than £100;
- (c) items of a lesser value which are portable and attractive; and
- (d) evidence to indicate an annual inspection has been carried out.

- 8.10 When Council assets are loaned to employees, other Council services or other organisations, the ~~Head of Service Senior Officer~~ must record the reason for the loan, date/periods and name of the receiver.

- 8.11 Inventory items must be security marked, stamped or engraved with the Council's name.

- 8.12 Each Head of Service Senior Officer is responsible for ensuring that an annual check is made of all items on the inventory and must notify the Director of Finance of any discrepancies revealed by these checks.

### **Asset Register**

- 8.13 The Director of Finance must ensure that an Asset Register in accordance with agreed auditing standards is maintained. This will include all land and property
- 8.14 Each Head of Service Senior Officer must immediately notify the Director of Finance of the acquisition of any asset having a value of £10,000 or more.
- 8.15 Each Head of Service Senior Officer must immediately notify the Director of Finance of the disposal (or transfer to another Service) of any asset (or part of any asset) which is included on the Asset Register.
- 8.16 In respect of any item acquired by lease the inventory must be marked with the name of the leasing company and the date of expiry of the lease agreement. When requested by the leasing company the item must be suitably marked as the property of that company.

### **Land and Property Assets**

- 8.17 The Executive Director, Place and Economic Growth must ensure that the detailed record of all land and property owned by the Council is included in the Councils Asset Register.
- 8.18 The Director of Legal Services is responsible for the security and custody of all title deeds and must maintain a suitable register.
- 8.19 The disposal of land and property is dealt with additionally in Contract Procedure Rules and through the Land and Property Protocol.

## **9. SECURITY**

### **Security of Assets**

- 9.1 All staff are responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash and any other assets for which they are responsible. The Director of Finance must be consulted to establish adequate security arrangements.
- 9.2 All keys to safes and other places containing money, goods or other valuables are to be the responsibility of specified officers who must retain possession of such keys at all times. A register of keys and their holders must be maintained by each Head of Service Senior Officer. The loss of any key must be reported immediately to the Head of Service Senior Officer who must record details of

the circumstances of the loss, and take such action as is necessary to protect the property of the Council.

- 9.3 Maximum limits for cash holdings in each separate establishment are to be agreed with the Director of Finance and must not be exceeded without permission.

### **Security of Information**

- 9.4 All staff must maintain proper security, privacy and use of information held in computers and all other recording systems under their control. ~~Heads of Service~~Senior Officers must ensure that:

- (a) all employees are aware of and comply with the Council's Information Security and Information Management policies;
- (b) all sensitive information is protected from unauthorised disclosure;
- (c) the accuracy and completeness of information and software is safeguarded;
- (d) software and other intellectual property is used only in accordance with licensing agreements;
- (e) Data Protection legislation is complied with;
- (f) the Freedom of Information Act and Environmental Information Regulations are complied with;
- (g) proper controls to system and physical access are in place;
- (h) the Council's intellectual property rights are protected; and
- (i) data taken off site by staff has the appropriate security such as encryption in place to protect the data should it be lost.

### **Security of Property Relating to Clients and Customers**

- 9.5 ~~Heads of Service~~Senior Officers must provide detailed written instructions on the collection, custody, investment, recording, safekeeping and secure disposal of customer/clients' property (including instructions on the disposal of property of deceased clients) for all staff whose duty is to administer, in any way, the property of clients. Due care should be exercised in the management of a customer or clients' money in order to maximise the benefits to the customer/client.

- 9.6 The Council is responsible for taking reasonable care of all items of property found by staff or members of the public on Council premises until the items are reclaimed or disposed of. Each ~~Head of Service~~Senior Officer must nominate officers who are responsible for the custody of lost property and

keep a register of such property received, detailing the item, date, time, name and address of finder and how and to whom the property is returned or disposed of.

9.7 The Information Management Team must be informed of any loss for which the Council is the data controller, in line with the Security Incident Management policy.

9.87 ~~Heads of Service~~ Senior Officers may seek Cabinet authority on how lost property will be dealt with. Otherwise, if the lost property is not claimed within three months it vests in the Council. The Head of Service will then determine if the item is of value for use by the Council and arrange for its use for this purpose. All other items are to be disposed of by sale in accordance with Contract Procedure Rules.

### **Security Passes**

9.98 All staff who are located in offices are responsible for accessing the building in accordance with management instruction. This will include keeping their staff security badges secure and reporting any loss promptly to their line manager.

## **10. TREASURY MANAGEMENT**

### **Policies and Strategies**

10.1 The Council has adopted requirements of the Ministry of Housing, Communities and Local Government (MHCLG), now the Department of Levelling Up, Housing and Communities [DLUHC] Investment Guidance, the MHCLG Minimum Revenue Provision Guidance, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code.

10.2 The Council is responsible for adopting:

- (a) A treasury management policy statement, setting out the policies and objectives of its treasury management activities, and treasury management practices, setting out how those policies and objectives will be achieved and how treasury management will be managed and controlled;
- (b) An Annual Investment Strategy, determining the type and level of investments to be entered into over the coming year together with a policy on risk management and a creditworthiness policy, and the level of investment in specified and non-specified investments;
- (c) The Minimum Revenue Provision policy (in line with Government Guidance) and the Borrowing Strategy.

- 10.3 The Director of Finance will prepare a report before each financial year recommending a treasury management strategy and investment plan, and subsequently an annual report after the end of the year. In addition, there will be a ~~mid-year~~ treasury management update [at the end of quarters 1, 2 and 3](#) including performance in relation to prudential indicators. Each of these reports must be considered by Cabinet where there will be a recommendation to Council where there will be final approval.
- 10.4 The Audit Committee is responsible for the review of treasury management policies, procedures and practices and reviewing all treasury management reports (including reports presented to Cabinet and Council). The relevant ~~Overview and~~ Scrutiny [Board Committee](#) will also undertake scrutiny of the Annual Treasury Management Strategy Report as part of its budget scrutiny function.
- 10.5 The Director of Finance is responsible for the execution and administration of treasury management decisions in accordance with the policy statement and agreed practices as set out at in the Treasury Management Strategy Statement report presented to Budget Council.

### **Administration**

- 10.6 All money under the management of the Council is to be aggregated for the purposes of treasury management and will be controlled by the Director of Finance.
- 10.7 Investments other than bearer securities are to be in the name of the Council or nominee approved by the Cabinet. All borrowings are to be in the name of the Council.
- 10.8 The Director of Finance will select the Council's Registrar of stocks, bonds and mortgages and must maintain records of all borrowings by the Council.
- 10.9 A suitable register must be maintained in respect of all investments, securities, bearer securities and borrowings.
- 10.10 The Director of Finance will arrange all loans. The Director of Finance is to be informed of all leases entered into by ~~Service Managers~~ [Senior Officers](#).

### **Trust Funds**

- 10.11 All trust funds are to be, wherever possible, in the name of the Council. Officers acting as trustees by virtue of their official position must deposit all documents of title relating to the trust with the Director of Legal Services (unless the Trust Deed otherwise directs) who must maintain a register of all such documents deposited.



## 11. BANKING ARRANGEMENTS, CHEQUE SIGNING AND IMPREST ACCOUNTS

### Banking Arrangements

- 11.1 All of the Council's banking arrangements are to be approved by the Director of Finance, who is authorised to operate such bank accounts as he or she considers appropriate.
- 11.2 Bank accounts must not be opened without the approval of the Director of Finance. Where a bank account is opened, the account name must describe the purpose of the account. All new accounts should be named in the format Oldham MBC, XYZ Account.

### Cheques and Electronic Payments

- 11.3 Payments to suppliers and employees will all be made by electronic means unless there is specific agreement with the Director of Finance to use another method.
- 11.4 All cheques are to be ordered only in accordance with arrangements approved by the Director of Finance, who is to ensure their safe custody. Cheques drawn on the Council's main bank accounts must either bear the facsimile signature of the Director of Finance and or be signed in manuscript by him/her or other authorised officers. All alterations and amendments are to be signed in manuscript by the Director of Finance, or other authorised officers.
- 11.5 Banking arrangements made for authorisation of payments to be made or received under electronic transfer are to be in a form approved by the Director of Finance.
- 11.6 There will only be cash advances made in relation to money for clients associated with care or specific exemptions agreed by the Director of Finance.

### Imprest Accounts

- 11.7 ~~Heads of Service~~Senior Officers will determine what amount is appropriate for an individual imprest subject to any limit set by the Director of Finance, and keep a record of every imprest issued, including the name of the imprest holder, amount and location.
- 11.8 Any imprest holder (or sub imprest) must at any time account for the total imprest if requested to do so by the Director of Finance and keep adequate records in a form approved by the Director of Finance and supported by valid (VAT) receipts. On ceasing to be responsible for an imprest account the officer must account promptly to the ~~Head of Service~~Senior Officer for the amount advanced.
- 11.9 Payments from imprest accounts are to be limited to minor items of expenditure and to any other items approved by the Director of Finance.



- 11.10 Where deemed appropriate by an imprest account holder a sub-imprest may be provided to another officer for which the main imprest account holder must obtain and retain an acknowledgement. In all cases where this occurs the main imprest holder must notify the [Head of Service Senior Officer](#).

## 12. INCOME

- 12.1 The Revenue Budget report presented to the relevant [Overview and Scrutiny Board Committee](#) for scrutiny prior to the start of each financial year will include proposals for fees and charges, including any amendments, for the forthcoming financial year. This will be prepared by the Director of Finance in consultation with Heads of Service/Directors. After comments from the [Overview and Scrutiny Board Committee](#), the final approval of fees and charges will align with the budget process, with a report to Cabinet with a recommendation to Council. Any amendments in year should be reported to Cabinet for approval.
- 12.2 The methods of collecting, recording and banking of all income due to the Council are to be approved by the Director of Finance.
- 12.3 The Director of Finance must be notified, in accordance with practices agreed with the relevant [Head of Service Senior Officer](#), of all income due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.
- 12.4 [Heads of Service Senior Officers](#) must ensure that to the maximum extent possible income is collected by electronic means.

### **Collection and Banking of Income**

- 12.5 [Heads of Service Senior Officers](#) must make appropriate arrangements for the control and issue of all receipt forms, books, tickets, ticket machines or other acknowledgements for money.
- 12.6 All income received by the Council must be acknowledged by the issue of an official receipt or by another approved method indicating payment has been received.
- 12.7 All money received by an officer on behalf of the Council must be paid to the Council's bank account as the Director of Finance may determine, at [regular](#) intervals taking account of the security of the premises. No deductions are to be made from such monies unless specifically authorised by the Director of Finance. Personal cheques must not be cashed out of monies held on behalf of the Council. Refunds must be made through the payments system.
- 12.8 Arrangements for opening incoming mail must ensure that any money so received is immediately recorded.

- 12.9 Every transfer of official money from one officer to another must be evidenced in the records of the services concerned by the signature of the receiving officer.
- 2.10 All requests to collect income using card machines require the approval of the Director of Finance. The Service requesting the card machines shall fund, from their own budgets, any expenditure required so the process is compliant [where practicable](#) with the Payment Card Industry Data Security Standard (PCI DSS).

### **Discrepancies in accounting records**

- 12.11 Each ~~Head of Service~~[Senior Officer](#) must maintain a detailed record of all discrepancies in records including cash surpluses and deficiencies in a manner approved by the Director of Finance, and these must be recorded in the Council's accounts.
- 12.12 The ~~Head of Service~~[Senior Officer](#) must investigate any apparent patterns of discrepancies.
- 12.13 Where such discrepancies are in excess of £100 individually, or in total within any period of 1 month, the ~~Head of Service~~[Senior Officer](#) concerned must immediately investigate and notify the Director of Finance who may undertake such investigations as he/she deems appropriate.

### **Debtors**

- 12.14 Wherever possible, payment should be obtained in advance or at the time of provision of a service, goods, letting or works.
- 12.15 Where credit is given, ~~Heads of Service~~[Senior Officers](#) must ensure that the credit status of each customer is satisfactory. ~~Heads of Service~~[Senior Officers](#) are responsible for arranging for staff to raise debtor accounts using the financial ledger approved by the Director of Finance immediately a debt falls due. Each Head of Service, in conjunction with the Director of Finance must maintain adequate records to ensure that all credit income due to the Council is promptly recovered. Where services are proposed through the year's accounts, they should be raised on a monthly basis to the body in receipt of the service.
- 12.16 Authorised Senior Officers must each identify employees authorised to act on their behalf, or on behalf of the Cabinet, in respect of: income collection, together with the limits of each person's authority.

### **Debts including Council Tax, Business Rates, Sundry Debt, Housing Benefit Payments**

- 12.17 The ~~Assistant Director~~[Head of Service](#) responsible for managing the collection of Council Tax, Business Rates, Sundry Debt ([including debt relating to the corporate estate and Adult Social Care](#)) and Housing Benefit

Overpayments shall regularly review the level of debts due from these activities and ensure, in conjunction with [the service that has raised the debt](#) and the Director of Finance, [that there is an](#) adequate level of provisions required for bad and doubtful debts. Authorisation of write off for individual debts [will be agreed with the service that has raised the debt and action taken within this service is](#) as follows:

- a) individual debts less than £100 by officers within the [Accounts Receivable Service](#) [following consultation with the debt raising service](#). At the end of each quarter of the financial year, the [Assistant Director Head of Service](#) shall submit a report to the Director of Finance detailing these write offs;
- b) individual debts up to £5,000 by the [Assistant Director following consultation with the debt raising service](#) [Head of Service](#). At the end of each quarter of the financial year, the [Assistant Director Head of Service](#) shall submit a report to the Director of Finance detailing these write offs;
- c) individual debts up to £10,000 by the Director of Finance.
- d) individual debts up to £30,000 by the Director of Finance in conjunction with the Cabinet Member with responsibility for Finance;
- d) individual debts over £30,000 by Cabinet.

12.18 For debts other than those covered in [12.17](#) above, the authorisation limits for individual sundry debts are as follows:

- a) individual debts up to £10,000 by the relevant Authorised Senior Officer in conjunction with the Director of Finance; ~~and~~
- b) individual debts over £10,000 by Cabinet; [and](#)
- b)c) [relevant Authorised Senior Officers should review the requirement for write off on a quarterly basis and provide that information to the Director of Finance](#)

~~12.19~~ 12.19 As part of the closure of the final accounts the Director of Finance shall undertake a detailed review of the outstanding debts owed to the Council and write off amounts that the Director deems irrecoverable prior to the draft annual accounts being submitted to the Audit Committee for approval. The individual debts written off as part of this process shall be reported to the Cabinet Member with responsibility for Finance.

12.20 The 'writing off' of a debt does not absolve a [Senior Officer or a Head of Service](#) of the responsibility to collect such debts, and the position in relation to such debtors is to be monitored by the ~~Head of Service~~ [Senior Officers](#).

- 12.21 Where the Director of Finance considers that individual services have not raised debtors accounts in a prompt manner the officer may calculate the interest lost to the Council and charge this amount to the service budget.
- 12.22 On an annual basis (and more frequently if required) ~~Heads of Service~~ Senior Officers will review the level of debtors' accounts in their particular area which remain unpaid. This will be discussed with the Director of Finance and/or their representative and provision made for any amounts which require a bad debt provision ~~to be made for bad debts~~ at the end of the financial year.
- 12.23 The amount of income to be credited in respect of sundry debts to individual Directorate accounts shall be determined by the Director of Finance with a clear reference to the actual cash amount received by the Council.

### **13. ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

#### **General**

- 13.1 Every Officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct. These interests should be registered with the Director of Legal Services as per the Council's agreed procedures.
- 13.2 Public money must be spent with demonstrable probity and in accordance with the Council's policies, including ensuring suppliers' compliance with taxation in accordance with resolutions of Council. Where appropriate a valid purchasing order shall be raised. Local Authorities have a statutory duty to achieve best value in part through economy and efficiency and the Council's procedures (Contract Procedure Rules, Scheme of Delegation, Financial Procedure Rules and in accordance with Procurement Policy and Practice) must be followed to help Directorates obtain value for money from their procurement arrangements.
- 13.3 Whilst Contract Procedure Rules have a threshold for written competitive quotations, it is nevertheless an obligation on officers to be able to show that they have received value for money at much lower levels than the formal requirement of these rules.
- 13.4 Where the Council has corporately negotiated contracts for goods, services or works, Directorates shall normally use these contracts for such supplies. Information on these contracts can be obtained from the Corporate Procurement Section. Where the Council is also the supplier of a service, officers ordering shall always give the in-house provider the opportunity to quote for the supply.
- 13.5 ~~Heads of Service~~ Senior Officers must ensure that all valid invoices are paid as a minimum within 30 days of receipt. Suppliers should be encouraged to participate in the early discount scheme of the Council and that invoices are

submitted in a timely manner to maximise the amount of early payment. In payment of invoices all officers should comply with the detailed guidance issued by the Director of Finance. This includes an analysis where appropriate that a supplier is financially robust to receive all payments via the early payments scheme.

- 13.6 The Director of Finance will determine the method and frequency of payment from one of the Council's main bank accounts, except for: -
- a) petty cash and other imprest accounts
  - b) delegated bank accounts approved by the Director of Finance

### **Raising orders**

- 13.7 All orders for goods, services and works shall be made using the Council's agreed procurement system, A1/Agresso-. Unless agreed by the Director of Finance as an agreed exception, orders should be issued in advance of the receipt of the service and invoice.
- 13.8 Each Authorised Senior Officer's own Scheme of Delegation must identify employees authorised to act on their behalf, or on behalf of the Cabinet, in respect of payments and orders, together with the limits of each person's authority.
- 13.9 ~~Heads of Service~~Senior Officers must approve a schedule of Council officers authorised to raise requisitions, undertake approvals up to order and invoice stages and to supply their names, job titles and authorised approval levels to the Director of Finance. The schedule must be reviewed at least once per year.
- 13.10 By approving a requisition the approving officer indicates that satisfactory checks have been carried out to ensure that:
- (a) the authoriser of the order should be satisfied that the goods and services ordered are appropriate and necessary;
  - (b) the order value indicates that prices, extensions, calculations, discounts, other allowances and all relevant taxes are correct;
  - (c) payment will be processed via a proper tax invoice;
  - (d) the proposed expenditure will be properly incurred, is within budget, and has been charged to the appropriate budget;
  - (e) entries will be made in asset registers, inventories, stores and other records as appropriate;
  - (f) the order has not been processed previously;
  - (g) the commitment is a proper liability of the Council.

There should be adequate controls to agree invoice values to contracts or non A1/Agresso orders where a dispensation has been received for not using A1/Agresso ordering as detailed in section 13.7. The supplier's sales invoice reference should be recorded in spreadsheet format by the budget holder's department to allow the tracing of invoices input to A1/Agresso in the absence of an A1/Agresso purchase order reference.

- 13.11 The correct receipt of goods shall be acknowledged by recording the details on A1/Agresso or the signature of an appropriate officer who checks for quantity and quality to the details set out on the delivery note to validate the receipt of goods or services. This should not be the same officer who has approved the order.
- 13.12 Signed delivery notes shall be matched and checked to the appropriate electronic order and retained as a record of receipt of the delivery.
- 13.13 System procedures must be followed for the treatment of part or incorrect deliveries and the system updated appropriately.
- 13.14 Goods shall be held with appropriate security and entered into stores or an inventory, if appropriate (see section [87](#)). Permanent valuable items shall be marked as the property of Oldham Metropolitan Borough Council. This does not apply to equipment leased by the Council, which shall be marked to indicate the equipment is leased in such a way as not to deface the equipment.

### **Paying invoices**

- 13.15 Payments shall only be made in respect of goods or services properly received on receipt of an official invoice from the supplier. The invoice must contain, if appropriate, the company registration and VAT numbers and valid Purchase Order number. Failure to quote an order number will not allow the Council system to match with the original purchase order and as a result the invoice will be returned to the sender for the inclusion of this data.
- 13.16 Invoices will be received and processed by the Accounts Payable Team, who will electronically scan the invoices, which will be matched by the system to the relevant order and goods/services received record and passed for payment if within system tolerances.
- 13.17 An exception to this matching process relates to non-order invoices input under the dispensation rule detailed in 13.7 above where the budget holder effectively gives retrospective order approval after an invoice has been input.
- 13.18 Authorised Senior Officers are responsible for ensuring that undisputed invoices are processed for payment within a maximum of 30 days from receipt of the invoice.



## **Advance Payments**

13.19 Where a supplier or contractor requires payment prior to the despatch of goods or the provision of services for a new service, an official order signed by a duly authorised officer and clearly marked that payment is to be made before receipt of the goods or services must be completed. A pro forma invoice or supplier's order form detailing fully the goods/service to be obtained must be approved by an officer authorised to certify invoices and retained as a record of the payment made.

13.20 Where a supplier or contractor of a supply/ works has already been agreed under a tender/ contract process, then a payment can only be agreed following the submission of a [mod.gov](https://www.gov.uk/mod) report setting out the rationale for agreeing the payment.

## **Transparency Agenda**

13.201 As a part of Transparency Agenda the Council shall publish all individual transaction for expenditure in excess of £500 within statutory deadlines.

## **14. PAYMENT CARDS**

14.1 All arrangements regarding payment and procurement cards must be approved by the Director of Finance.

14.2 Heads of Service Senior Officers in conjunction with Director of Finance will determine the credit limit for individual payment and procurement cards.

14.3 Each cardholder will ensure safe custody of the card and not exceed their monthly limit.

14.4 Cards may be used only in accordance with the approved scheme and for legitimate expenses incurred by the cardholder in the course of official Council business.

They must not be used:

(a) to circumvent the procedures for the ordering of and payment for, goods and services under these regulations; or

(b) to purchase items for the private or personal use of cardholders.

14.5 Each cardholder must ensure that all expenditure incurred is supported by adequate records and in respect of payment cards, a VAT receipt is obtained to support all expenditure.

## **15. SALARIES, WAGES AND PENSIONS**

15.1 All payments of salaries, wages, pensions, compensations, gratuities, allowances and other emoluments to current or former employees and

Members are to be made by the Councils Payroll Service or an agreed payroll provider (in relation to schools) in accordance with information supplied by the ~~Head of Service~~Senior Officer. All payroll transactions must be processed through the Council's payroll system. This will include all Members and Officers expenses which are to be paid in arrears by payroll.

- 15.2 ~~Heads of Service~~Senior Officers must ensure that appointments of all employees and agency staff are in accordance with the appropriate Conditions of Service of the Council or any approved scheme of delegation, and are within the approved budgets, grades and rates of pay. Any variations of terms and conditions must be in accordance with arrangements approved by the Assistant Chief Executive.

### **Records**

- 15.3 ~~Heads of Services~~Senior Officers must maintain adequate records to notify the Payroll Service of all appointments, resignations, dismissals, and retirements together with changes in pay rates, bonuses due, overtime worked and other matters affecting remuneration, and provide all information to ensure that the correct adjustments are made in respect of absences, pensions, income tax, national insurance, sickness and maternity pay and any other additions, to or deductions from pay. ~~Heads of Service~~Senior Officers must also advise the Payroll Service of any employee benefit in kind to enable reporting for taxation purposes.
- 15.4 Time records and other pay documents must be maintained in a manner approved by the HR Transactional, Payroll and Pensions Operations Manager and be certified by the relevant ~~Head of Service~~Senior Officers or other authorised officers. A record of all authorised officers must be maintained together with specimen signatures, a copy of which will be sent to the Payroll Service.
- 15.5 Access to Payroll Data shall be made available to authorised Council representatives by all audit providers to the Council.

### **Overpayments**

- 15.6 The Director of Finance is authorised to write-off any net overpayment of salary/wage where death-in-service of an employee occurs, except where the Council holds a statutory obligation to recover such overpayments. All other overpayments of pay must be treated for the purposes of recovery and write off in accordance with Financial Procedure Rule 12.

## **16. TRAVEL, SUBSISTENCE AND OTHER ALLOWANCES**

- 16.1 Payment of all claims is to be made via payroll or under other arrangements approved by the Director of Finance and must be in accordance with Schemes of Conditions of Service adopted in respect of the employee to which the payment relates.



- 16.2 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses, must be made by the payroll system. The on-line system provides for certification by the ~~Head of Service Senior Officers~~ or authorised officer under individual schemes of delegation for Authorised Senior Officers.
- 16.3 The certification of a claim by or on behalf of a ~~Head of Service Senior Officer~~ is taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council. Expense claims which relate to a period more than 6 months before the date of submission will not be paid, except in special circumstances agreed by the Director of Finance.
- 16.4 Where air travel is required for business purposes, all such flights should be authorised in advance by the relevant Authorised Senior Officer.

## 17. TAXATION

- 17.1 The Director of Finance is responsible for advising the Council / Authorised Senior Officers on all taxation issues that affect the Council.
- 17.2 Each ~~Head of Service Senior Officer~~ must ensure taxation is treated correctly and consult with the Director of Finance in the event of any uncertainty as to any taxation treatment ([this includes compliance with IR35 regulations where interim staff are engaged](#)). Should an error in taxation occur due to the failure of a Head of Service to follow an appropriate procedure then there shall be a charge against that Services budget.
- 17.3 The Director of Finance will maintain the Council's tax records, make all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate, as well as lead and co-ordinate discussion or negotiations with ~~the Hiser~~ Majesty's Revenue and Customs about any taxation matter.

## 18. GIFTS AND HOSPITALITY

- 18.1 A separate Code of Conduct is available which sets out how officers and members should deal with issues such as receipt of personal gifts and offers of hospitality. All officers and members need to be aware of the requirements of the Code and ensure they are followed. All gifts and offers of hospitality over £25 need to be registered with the Director of Legal Services.

## 19. UNOFFICIAL AND VOLUNTARY FUNDS

- 19.1 These regulations relate to funds administered by officers of the Council, the accounts of which are not included in the Authority's accounts.
- 19.2 Any proposed unofficial funds require the prior approval of the ~~Senior Officer Head of Service~~ concerned who must maintain a record of all such funds and ensure that officers are appointed to administer each fund.

- 19.3 A separate bank account must be maintained for each fund (in the name of the fund) and fund monies must be kept separate from Council monies.
- 19.4 ~~Heads of Service~~Senior Officers must ensure that they receive a copy of the accounts of each fund and a certificate in the prescribed form from the auditors or independent examiners of each fund that has to be audited or independently examined. Such accounts are to be prepared annually, and at the completion of the purpose for which the fund was set up.

- 19.5 The Director of Finance is to have access to any records relating to such funds and be immediately informed of any irregularities which arise in connection with them.

## 20. FINANCIAL CONTROL OF WHOLLY OWNED COMPANIES, PARTNERSHIPS, JOINT VENTURES, ASSOCIATED ORGANISATIONS AND SIMILAR ARRANGEMENTS

### Working in Partnership with Associated Organisations

- 20.1 The Director of Finance is responsible for ~~promoting oversight of and maintaining the same high~~ standards of financial administration in wholly owned companies and partnerships that apply throughout the Council, or advising the Cabinet/Audit Committee or Scrutiny Board where he/she is aware that arrangements within a partnership are in conflict or are ~~unclear~~certain compared with the practices adopted by the Council.

- 20.2 The Director of Finance must ensure that the accounting arrangements to be adopted relating to wholly owned companies, partnerships and joint ventures are satisfactory, and must:

- (a) consider the overall corporate governance arrangements and legal issues when arranging contracts with the wholly owned company/partner/joint venture or associated organisation;
- (b) ensure that the risks have been fully appraised before agreements are entered into with the wholly owned company/partner/joint venture or associated organisation;
- (c) approve the appointment of the external auditor;
- (d) arrange for the accounts to be prepared by an appropriate professional;
- (e) agree the financial ledger to be used by the organisation.

~~(e)~~(f) Approve the Scrutiny arrangements for grant programmes in line with Central Government guidance including compliance with government procurement requirements.

- 20.3 ~~Heads of Service~~Senior Officers must ensure that in all grant agreements, contribution to partnerships and where appropriate in agreed contracts for the

supply of works, goods and services, the Director of Finance has access to the accounts, records and all other documentation, and is entitled to seek explanations from Officers of the funded organisation regarding the deployment of the Council's funding payment.

### **Working for Other Organisations**

- 20.4 ~~Heads of Service~~Senior Officers are responsible for ensuring that approval is obtained from the Director of Finance and Director of Legal Services before any negotiations commence in relation to the provision of works or services to other organisations expected to exceed £10,000.
- 20.5 The Cabinet is responsible for approving the contractual arrangements for any work for other organisations expected to exceed £100,000. The Director of Finance may agree contractual arrangements below this level.
- 20.6 ~~Heads of Service~~Senior Officers must ensure that any proposed arrangement to work for other organisations does not impact adversely upon the Services provided to or by the Council. All agreements, contracts or arrangements must be properly documented, and appropriate information must be provided to the Director of Finance to enable a note to be entered into the Council Statement of Accounts concerning material items.

### **Grants and Loans to Other Organisations**

- 20.7 Where a ~~Head of Service~~Senior Officers proposes to offer a loan to any organisation in excess of £10,000, he/she may do so only following:
- (a) a full financial appraisal of the organisation to which the loan is to be granted, by the Director of Finance;
  - (b) a full financial appraisal of the project to which the loan relates, by the Director of Finance;
  - (c) the execution of a legal agreement approved by the Director of Legal Services;
  - (d) if it is in accordance with the agreed Council procedures on loans to third party organisations.
- 20.8 Loans including those where the cumulative value exceed £400,000 as per the loans policy must be approved by Cabinet
- 20.9 Where a ~~Head of Service~~Senior Officers proposes to offer any grant in excess of £10,000, he/she may do so only:
- (a) where this accords wholly within the approved grants policy of the Council;

- (b) following a full financial appraisal by the Director of Finance of the accounts of the organisation and an analysis of the necessity or otherwise of the funding proposal to be made and on the execution of a legal agreement approved by the Director of Legal Services; or
- (c) in accordance with agreed Council procedure on grant support to third party organisations.

20.910 Grants in excess of £250,000 must be approved by Cabinet.

## **21. WORKFORCE**

- 21.1 The Head of Paid Service is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration for a job.
- 21.2 Authorised Senior Officers are responsible for controlling total numbers in the workforce and its cost by:
  - advising the Director of Finance on the budget necessary in any given year to cover the workforce levels previously approved by Authorised Senior Officers,
  - adjusting the workforce to levels that can be funded within approved budget provision, varying the numbers provided (though not the remuneration, or levels of remuneration for the specific categories of the workforce) as necessary, within that constraint, in order to fulfil operational needs;
  - using the proper use of appointment procedures;
  - ensuring an establishment list which includes job titles, names and contact details is prepared and maintained for their Directorate.

## **22. MONEY LAUNDERING**

- 22.1 The legislation concerning money laundering impacts on local authorities. Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Chief Internal Auditor (as the Council's nominated Money Laundering Reporting Officer).
- 22.2 All staff should have regard to the Council's Anti-Money Laundering Policy and supporting Guidance. A member of staff should, in line with the Policy and

Guidance, report any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, and member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.

## Appendix 2



# Part 4 Financial Procedure Rules

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**Note: All references to Council posts in these Contract Procedure Rules shall be read as a reference to the equivalent post at the relevant point in time.**

For the purposes of these Financial Procedure Rules only, the following definitions apply:

**Senior Officer refers to** The Deputy Chief Executive, Assistant Chief Executive, Executive Director Place and Economic Growth, Managing Directors, Directors, Assistant Directors and Heads of Service

**Authorised Senior Officer refers to** those specific officers under the approved Scheme of Delegation to Officers under part 3 of the Council's Constitution.

## **1. FINANCIAL GOVERNANCE**

### **Council's responsibilities**

- 1.1 The Council has a statutory duty to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Council has resolved that the Chief Financial Officer (the post is currently designated as the Director of Finance) is the responsible officer.
- 1.2 The Council is responsible for the approval of the Financial Procedure Rules to be used by all Members and officers, including any amendments or additions presented by the Director of Finance. The Council is responsible for approving the procedures for recording and reporting decisions taken by the Council itself, or by the Executive, or under approved delegation arrangements. The Scheme of Delegation, which includes financial limits, is set out in the Constitution at Part 3.

### **Cabinet's responsibilities**

- 1.3 The Cabinet is responsible for ensuring that the Financial Procedure Rules are followed across the Council. The Cabinet is also responsible for arranging for a review of the Financial Procedure Rules following scrutiny by the Audit Committee at least every three years and for recommendations for any changes to be made to the Council. This is normally arranged through the Constitutional Working Group.
- 1.4 The Cabinet is responsible for preparing and recommending to Council the annual revenue budget and Council Tax level and once approved, for implementing and monitoring that budget.
- 1.5 The Cabinet is responsible for reviewing and recommending to Council a Capital Strategy and Capital Programme, a Medium Term Financial Strategy (which may be included within the Annual Revenue Budget Report), a Housing Revenue Account Budget, a Treasury Management Strategy and a Council



Tax Reduction Scheme, and once approved for implementing and monitoring the budgets and strategies.

- 1.6 The Cabinet is responsible for approving the Council's Risk Management Strategy and Framework and for reviewing the effectiveness of risk management arrangements.

### **Overview and Scrutiny responsibilities**

- 1.7 The Council will identify a relevant Scrutiny Board or Boards to be responsible for scrutiny of the Administration's Budget proposals, including all related calculations, Policies and Strategies and for the forwarding of comments and recommendations on those matters to the Cabinet, prior to recommendation to Council.
- 1.8 The Council will identify a relevant Scrutiny Board or Boards to be responsible for the overview of the Council's in-year financial performance.
- 1.9 The Council will identify a relevant Scrutiny Board to provide appropriate oversight of key operational decisions which fall within their remit including key partnerships and grant programmes where required, in conjunction with the Audit Committee.

### **Audit Committee's responsibilities**

- 1.10 The Audit Committee is responsible for reviewing the draft Annual Statement of Accounts and the Annual Governance Statement and approving the audited Council's Annual Statement of Accounts which incorporates the Annual Governance Statement. This Committee also provides oversight on the Council's Treasury Management Processes and practices, the Corporate Risk Management Strategy, Counter Fraud Suite of Policies, Internal Control matters and Information Governance including the role of the Senior Information Risk Owner and companies and partnerships (in conjunction with the appropriate Scrutiny Board).

### **Capital Investment Programme Board (CIPB)**

- 1.11 The Capital Investment Programme Board has terms of reference which specify that it will oversee the preparation and the delivery of the capital strategy and capital programme by:
  - (a) Developing the overall Capital Strategy and annual programme in accordance with the priorities set out in the corporate plan
  - (b) Recommending the overall capital strategy and programme to Cabinet and Council
  - (c) Once the overall strategy and annual programme of expenditure has been approved at Council, the role of the CIPB is to:

- i) Consider and recommend approval of the detail of the thematic programmes (e.g. Transport Capital Programme);
- ii) Consider and recommend approval of any amendments to the annual programme;
- iii) Recommend approval of any new capital projects;
- iv) Undertake the detailed appraisal of projects, taking into consideration the Council's Capital Strategy, priorities and annual aims and objectives;
- v) Review the potential commercial risk and Value for Money issues on any proposal for the use of capital expenditure or funding;
- vi) Provide a forum for establishing and providing robust challenge and debate around the Capital Programme;
- vii) Undertake a detailed annual review of the Capital Programme;
- viii) Review the Council's Capital Programme on an on-going basis and to ensure it is achieving the agreed outcomes together with consideration of the financial monitoring report;
- ix) Monitor the performance of projects and programmes within the Council's Capital Programme.

The CIPB oversees capital projects from inception to completion to ensure they are delivered efficiently and effectively and in line with the Council's corporate objectives.

The CIPB assesses all submissions for capital expenditure prior to them entering into the normal reporting process for approval. The Board therefore makes recommendations to the appropriate decision maker/forum, whether this is a Member under delegated responsibility, Cabinet or Council.

### **The Director of Finance**

- 1.12 The Director of Finance is responsible for the proper administration of the Council's financial affairs, and particularly for:
- (a) maintaining a continuous review of the Financial Procedure Rules and the submission of any additions or changes necessary for Council approval;
  - (b) providing corporate financial advice and information to the Council i.e. on those issues where the Authority is regarded as one legal entity;

- (c) setting standards for good financial management including the accounting policies and financial procedures and records for the Council and monitoring compliance with those standards;
- (d) advising on the key financial controls necessary including maintaining an effective internal audit function to secure sound financial management;
- (e) ensuring that proper systems of internal control are operated and reporting breaches of the Financial and Contract Procedure Rules to Council, Cabinet, Audit Committee, or the Standards Committee as appropriate;
- (f) co-ordinating the preparation of the General Fund Revenue Budget and Medium Term Financial Strategy, the Housing Revenue Account Budget, Capital Strategy and Programme, the Treasury Management Strategy, the Council Tax Reduction Scheme, and once approved preparing reports to monitor budgets and strategies;
- (g) preparing the annual financial statements in accordance with the relevant accounting standards and codes of practice and any necessary technical accounting adjustments ;
- (h) treasury management activities, including reporting on prudential indicators;
- (i) preparing a Risk Management Strategy and Framework and promoting/ embedding it throughout the Council;
- (j) ensuring that the terms and conditions of grants awarded to the Council by Government and other public bodies and organisations, including the Greater Manchester Combined Authority, are complied with and that all grant claim forms are completed accurately and in a timely manner.

1.13 The Director of Finance also has a range of statutory duties, rights and responsibilities in relation to the financial administration and stewardship of the Council and will have regard to the Statement of the Chartered Institute of Public Finance and Accountancy on the Role of the Chief Financial Officer in Local Government

1.14 The Director of Finance must report to the Council under Section 114 of the Local Government Finance Act 1988, if:

- (a) a decision has been made, or is about to be made, which involves the incurring of expenditure which is unlawful;
- (b) there has been, or is about to be, an unlawful action resulting in a financial loss to the Council;
- (c) anyone or anybody is about to make an unlawful entry in the Council's accounts; or

- (d) it appears to him/her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 1.15 The Director of Finance may issue any instruction intended to fulfil these responsibilities and is entitled to any information or explanations as he/she may require.
- 1.16 The Director of Finance shall issue instructions and guidance to the Council in line with Section 25 of the 2003 Local Government Act, with regard to the robustness of the estimates.

### **Senior Officers**

- 1.17 Senior Officers must ensure that proper financial controls are maintained in their service area.
- 1.18 Senior Officers must make arrangements to ensure that all officers involved in financial matters are aware of, and competent in the use of, these Financial Procedure Rules and the Council's financial ledger. The extent of delegated authority to officers must be recorded. See further guidance on the Scheme of Delegation in Part 3 of the Constitution. The main documents are also available on the Council's Website –  
[https://www.oldham.gov.uk/info/100004/about\\_the\\_council](https://www.oldham.gov.uk/info/100004/about_the_council)
- 1.19 Senior Officers must ensure that the financial implications of all proposals in advance of any "key decision" report have been subject to approval by the Director of Finance and their representatives and the subsequent report sets out the financial implications.
- 1.20 Senior Officers must ensure that the legal implications of all proposals in advance of the "key decision" report production have been subject to approval by the Director of Legal Services and the subsequent report sets out the legal implications.

### **Head of Paid Service (the Chief Executive)**

- 1.21 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. They must report to and provide information for the Council, the Cabinet; the Scrutiny Boards, and any other Committees of the Council. The Chief Executive is responsible for establishing the framework for management direction, style and standards and for the monitoring of performance for the organisation. The Head of Paid Service and the Monitoring Officer (the post is currently designated as the Director of Legal Services) are responsible for the system(s) of record keeping in relation to all the Council's decisions (see below).

## **Monitoring Officer (Director of Legal Services)**

- 1.22 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct, including about financial matters, and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 1.23 The Monitoring Officer must ensure that executive decisions and the reasons for them are made public as required by the Council's Access to Information Procedure Rules. The Monitoring Officer must ensure that Councillors are aware of such decisions made by the Cabinet, a Council Officer, or anyone else acting on the Authority's behalf, who have delegated executive responsibility.
- 1.24 The Monitoring Officer is also responsible for providing advice to anyone regarding who has responsibility or authority to take a particular decision. In relation to financial matters, s/he will consult with the Director of Finance before giving advice.
- 1.25 The Monitoring Officer is responsible for advising the Council or Cabinet about whether a decision is likely to be considered contrary to or wholly in accordance with the Policy Framework. Responsibilities for actions contrary to the budgetary framework lie with the Director of Finance.

## **External agencies and partnerships**

- 1.26 Where, as a result of legislation or a decision of the Council or the Executive, as the case may be, part of the Council's or the Executive's functions are delivered by an associated organisation, funded partly or wholly by the Council, the organisation must submit for approval by the Council its own arrangements for corporate governance. These arrangements will incorporate the spirit of the Council's Financial Procedure Rules and will include the Council's right of access to financial information about the associated organisation and information of the Council processed by the third-party organisation. Whilst Cabinet is responsible for overall risk management and strategy, the Audit Committee and Scrutiny function shall monitor the specific Council risks in relation to partnerships as part of its governance role
- 1.27 Specific technical terms and conditions may be used when the Council is deemed the Accountable Body for external Government or other funding. Where the establishment of such terms and conditions is a condition of the funding, the obligations of and risk to the Council in its role will be set out in reports where approval to act as the Accountable Body is sought.
- 1.28 Schools with delegated budgets are subject to, and must comply with, the 'Oldham Scheme for Financing Schools', which has tailored these Financial Procedure Rules for use in those Schools.

- 1.29 A reference in the Financial Procedure Rules to the Director of Finance includes his or her nominees; and to an officer means any employee of the Council, or other persons contracted to carry out functions where these Financial Procedure Rules apply.

### **Staff and Councillors**

- 1.30 All staff and Councillors within the Authority are required to maintain and provide the highest standards of financial management, integrity and administration in line with the Financial Procedure Rules. Their conduct is also set out in the relevant Codes of Conduct included at Part 5 of the Constitution which they must be aware of and comply with at all times.

### **Council Owned Companies**

- 1.31 If the Council wants to set up an alternative delivery model for its services which involves the creation of a company including a Shareholding of the Council or the making of a loan, it can only do so following consultation on the implications with the Director of Finance and the Director of Legal Services.

## **2. PREPARING AND MANAGING THE REVENUE AND CAPITAL BUDGET**

### **Financial Planning Framework**

- 2.1 It is a legal requirement for the Council to ringfence and separately manage many of its financial resources and expenditure. The main “ringfenced” areas include:
- Housing Revenue Account income and expenditure;
  - Income and expenditure relating to schools (including the Dedicated Schools Grant);
  - Capital expenditure and resources;
  - The Collection Fund (Council Tax and Business Rates income).
- 2.2 Any income or expenditure which does not fall within ringfenced categories is deemed to fall within General Fund (non-schools).
- 2.3 Ringfencing means that the Council is either not permitted or is heavily restricted in its ability to vire resources in or out of a particular ring-fenced area. For example, the Council is not generally permitted to use capital resources to fund revenue expenditure (an exemption to this exists for the period 2022/23 to 2024/25 whereby the flexible use of capital receipts permits the use of such resources to finance expenditure incurred on transformational activity).
- 2.4 The situation is further complicated by the fact that certain resources within each of the ring-fenced areas have to be earmarked to particular activities. For example, capital and/or revenue grants that have been provided specifically to finance particular schemes.

- 2.5 Having regard to all statutory ring-fencing arrangements, the Director of Finance, after consulting the Cabinet and Authorised Senior Officers shall be responsible for designing and implementing the annual budget and medium-term financial planning arrangements. The Director of Finance is responsible for the preparation of a corporate revenue budget and the provision of advice on the setting of a Council Tax, a Capital Strategy and programme, a Treasury Management Strategy, a Housing Revenue Account budget and a Council Tax Reduction Scheme.

### **Preparation of the Corporate Plan**

- 2.6 The Chief Executive is responsible for proposing the Corporate Plan to the Cabinet for consideration before its submission to the Council for approval. When compiling the Plan, and in conjunction with other Authorised Senior Officers the Chief Executive will ensure that the plan is assessed and moderated by the Director of Finance

### **Budget Preparation**

- 2.7 The Director of Finance will advise the Cabinet of each year about the detailed plans to prepare both the Annual Budget for the next financial year or two years and to update the Medium Term Financial Strategy (which can cover a period of up to five years). The budget process will then be prepared following the standards set out by the Director of Finance.
- 2.8 The Director of Finance, following the detailed work, will submit to the Budget Council meeting (usually held in February) each year a Medium Term Financial Strategy for the following three to five years, and budget planning totals for all services and central budgets.
- 2.9 Senior Council officers will prepare budget reduction proposals for Members to consider, however, prior to final decision making, and in good time to allow meaningful consultation, the Council will make arrangements to consult with the public, partners, staff and business community on the budget reduction proposals being considered for future financial years.
- 2.10 The Cabinet, having regard to comments resulting from the consultation process outlined above (including those of the relevant Scrutiny Board), will consider these budget reduction proposals in detail and make its recommendations to the Council before the date set for the meeting of the Council which will determine the budget (Budget Council).
- 2.11 The Director of Finance will advise the Cabinet and the Council on the overall budget, the levels of Council Tax, the use of reserves and the need for contingency budgets/balances, the robustness of the estimates and affordability and prudence of capital investments and on the risks that may exist in relation to the forecasts of spending levels and income.
- 2.12 Senior Officers will, in accordance with the Business Planning timeframe, produce draft service plans and budgets in accordance with the Budget

Planning totals. These draft plans will explain the service changes proposed to be made, taking into account the Council's Corporate Plan, performance targets and the resources allocated.

### **Resource Allocation**

- 2.13 The general level of balances and reserves to be maintained by the Council shall be calculated and recommended for approval by the Director of Finance using a risk based approach in advance of the setting of the Budget for the approaching financial year. This will support the budget decisions being taken at the Council meeting which sets the Council Tax. The level of balances and reserves shall be subject to regular review in the budget monitoring reports presented to Cabinet during the financial year. At the year-end as part of the production of the Annual Statement of Accounts the Director of Finance shall assess the risks facing the Council and prepare the Accounts to minimise future unbudgeted expenditure including the assessment of required reserves in accordance with the Council's agreed policy on Reserves. The Reserves Policy will be subject to detailed scrutiny by the Audit Committee.
- 2.14 The Director of Finance is responsible for developing and maintaining a resource allocation process which: ensures due consideration of the Council's policy framework; and takes into account properly, current information on the Council's financial position and prospects for the future. It will also include an annual review of the budget to ensure that the resources allocated to each budget heading remain appropriate in the light of corporate priorities, business developments and national and local spending trends.

### **Reporting**

- 2.15 The Cabinet is responsible for ensuring that Service and Corporate Plans are implemented within the resources allocated in the Revenue and Capital Budgets. The Director of Finance will provide information on the Council's performance against the Revenue and Capital Budgets to Cabinet and the relevant Scrutiny Board at regular intervals over the financial year. The report will include the projected out-turn for the agreed budgets, Collection Fund, Housing Revenue Account and Dedicated Schools Grant. In addition, and as appropriate, the Audit Committee and/or Scrutiny Board will receive reports that include financial information on key partners and the progress made on issues identified with the Annual Governance Statement.
- 2.16 The general format of the budget proposed by the Cabinet to Council will follow that advised by the Director of Finance. The draft budget should include indicative allocations to different services and projects, proposed taxation levels and any contingency funds/balances. The headings proposed will be those advised by the Director of Finance.
- 2.17 Senior Officers will control income and expenditure within their areas of responsibility. They will monitor performance, taking account of financial information provided by the Director of Finance. They should report on actual variances within their own areas, and on the possible likelihood of them. They



must also: alert the Director of Finance to any problems; consult with the Director of Finance about the remedial action necessary to avoid exceeding their budget allocations: and take the remedial action agreed.

- 2.18 CIPB is responsible for advising Cabinet on the overall financial commitments of the overall capital programme in accordance with the overall Capital Strategy agreed by Cabinet.

### **Managing Budgets**

- 2.19 Senior Officers are responsible for managing budgets within their delegated authority. They must take action to avoid overspending respective budgets and report any difficulties to the Director of Finance.
- 2.20 Senior Officers should delegate authority to commit budgets to the appropriate level of management, make arrangements to set out clearly the extent of authority of managers, and review the performance of managers in managing and controlling these budgets.
- 2.21 Senior Officers must, in consultation with their financial support officers, use the financial reports from the financial ledger and review their budgets on a monthly basis. This must inform the regular budget monitoring undertaken by the Director of Finance.
- 2.22 The Director of Finance is accountable for all corporate and contingency budgets, which will be managed in the same way as service and activity budgets.
- 2.23 Where, as a result of a mistake or error by an officer, the Council becomes liable for any charges, penalties or additional expenses, such costs will be met by the Service in which the error is made.

### **Carry forwards and recovery of overspends**

- 2.24 Carry forward is a mechanism for transferring budgetary resources from one year to the next, or vice versa. This will be determined during the production of the Statement of Accounts.
- 2.25 The Cabinet is responsible for approving changes to the Council's Revenue Budget arising from the carry forward process.
- 2.26 If the carry forward process is to be applied, there will be a presumption that the carrying forward of any underspending will only be allowed subject to a Directorate managing its resources in line with its agreed budget. All overspendings may be recovered in the following financial year following the advice of the Director of Finance.
- 2.27 The Council, in determining the Revenue Budget for a particular year, will review any arrangements for carry forward for that year and can change the guidance on advice from the Director of Finance.

## **Risk Management and Control of Resources**

- 2.28 It is essential that robust, integrated systems exist to identify and evaluate all significant operational risks to the Council. These systems will be maintained by the proactive participation of everyone associated with the planning and delivery of Oldham Council's services to its residents.
- 2.29 The Director of Finance is responsible for preparing the Council's Risk Management Strategy and Framework, which includes the approach to ensuring proper insurance cover, and for promoting the Strategy and Framework throughout the Council, and for ensuring advice to the Cabinet Member with responsibility for Finance on appropriate insurance cover.
- 2.30 The Cabinet is responsible for approving the Council's Risk Management Strategy and Framework. Monitoring of the effectiveness of risk management is undertaken by the Audit Committee on behalf of the Cabinet.
- 2.31 Internal Control is the systems of control devised by management to help ensure the Council's objectives are achieved in ways which promote economic, efficient and effective use of resources and which ensure that the Council's assets and interests are safeguarded.
- 2.32 The Director of Finance will advise the Council at all levels on the requirements for an effective system of Internal Control. Arrangements devised and implemented will ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They will also ensure that public money is properly safeguarded; and is used economically, efficiently, effectively and in accordance with the statutory and other authorities which govern their use.
- 2.33 It is the responsibility of Senior Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets. In doing this they must consult as necessary with the Director of Finance about matters past and present and future which bear upon the framework of Internal Control.
- 2.34 The CIPB will develop and maintain sound arrangements for managing the Council's Capital Programme in accordance with the instructions of the Cabinet.

## **Production of Accounts**

- 2.35 The Director of Finance shall consolidate and produce the Authority's statutory accounts. Accounts will be prepared in accordance with the relevant statutory requirements (including timelines) and Codes of Practice.

- 2.36 Senior Officers shall assist the Director of Finance to undertake the closure of their Directorate accounts which must be in accordance with the standards, timescales and format set by the Director of Finance.
- 2.37 The Director of Finance is responsible for ensuring that the Annual Statement of Accounts is prepared in accordance with the CIPFA/LASSAC Code of Practice on Local Authority Accounting in the United Kingdom. This will include an assessment of the financial risks facing the Council.
- 2.38 The Audit Committee has delegated authority from the Council for approving the Annual Statement of Accounts.
- 2.39 The Director of Finance shall report to Cabinet and Council, after the accounts have been audited, the out-turn for the previous year for both the revenue and capital programme, identifying the out-turn against budget and the findings outlined in the Audit Completion Report prepared by the External Auditor.

### **Grants from third parties (other than from Central Government or GMCA)**

- 2.40 Where a Senior Officer proposes to accept grant funding from a third party or taking on accountable body status, which exceeds the sum of £50,000, then the Senior Officer should, in advance of accepting the funding, seek an appraisal of that proposal which will involve the approval of the Director of Legal Services and Director of Finance.
- 2.41 Where the amount of the proposed third party grant exceeds the sum of £250,000, this will become a key decision and therefore a report to Cabinet will be required in order to gain approval to accept the funding.

## **3. CHANGES TO THE OVERALL AGREED REVENUE AND CAPITAL BUDGET**

- 3.1 Senior Officers will propose items during their normal course of business which could have financial implications to increase the overall agreed net revenue and/or capital budget of the Council. Where the expenditure is capital, the revenue implications also need to be calculated. Notification of Government grant funding often arrives late, after the annual budget has been set and therefore outside the normal budget approval cycles. Such grant notifications also often have short acceptance timeframes. If the net impact of a Government grant is neutral (i.e., the grant covers in full the anticipated expenditure) to the overall agreed budget, then the grant can be accepted, and funding committed in accordance with the grant conditions.
- 3.2 Where there is additional cost to the Council, then in each case the potential commitment needs to be fully costed setting out the impact on the budget with details of how any additional cost will be financed and its performance effect. Where appropriate and after consultation with the Director of Finance, a report must be presented to Cabinet for consideration, but a capital matter must first be considered at the CIPB.

- 3.3 Any motion or report submitted to the Council which, if carried, would increase the Council's net revenue or capital budget or might otherwise contravene Financial Procedure Rules shall stand adjourned without debate and be referred to the Cabinet to receive a report on the detailed financial implications. When the Council reconvenes to consider the motion or report, it shall receive the recommendation of the Cabinet on the matter before making a decision on the motion or report and on whether to effect any change to the Council's approved Budget.
- 3.4 In the event of urgency, the Council may consider such an item without delay on receipt of a report from the Cabinet Member with responsibility for Finance as to the financial implications.
- 3.5 All proposals which involve a change to the overall revenue or capital budget need to be considered in accordance with the advice of the Director of Legal Services and Director of Finance.

### **Virements**

#### **Revenue Budget Virements**

- 3.6 The Cabinet is responsible for agreeing procedures for virements (the transfer of resources) between department, earmarked reserves and service budget headings. The framework that exists ensures that virements which are associated with a significant change in the level of service from that set out in the service plan must be approved by the Member with Portfolio in consultation with the relevant Authorised Senior Officer. However, the Director of Finance may approve virements to address identified budgetary challenges having regard to the financial position of services and the Council has a whole.
- 3.7 The Director of Finance may approve an increase in an approved Department budget by a transfer from another approved Department budget under the control of another Authorised Senior Officer where: -
- (i) both budget heads are cash limited; and
  - (ii) the variation does not exceed £250,000.
- 3.8 Authorised Senior Officers, are authorised to transfer resources within a service budget subject only to the maximum amount of virement on any one activity not exceeding 5% or £50,000, whichever is the smaller. Where the aggregate of such virements exceeds £250,000 in a financial year, and if in the opinion of the Director of Finance it is appropriate to do so, the Director of Finance and the appropriate Authorised Senior Officer will jointly report to the relevant Member with Portfolio and the Cabinet Member with responsibility for Finance.

3.9 Authorised Senior Officers may approve a virement into an approved budget head under their management control by a transfer from another approved budget head where: -

(i) both budget heads are cash limited; and

(ii) the virement does not exceed £100,000.

Authorised Senior Officers are responsible for formally approving, and for notifying to the Director of Finance, the record of their approval to in-year virements within service budget headings, and within the limits delegated to them.

3.10 Authorised Senior Officers must consult with the Director of Finance about all virements above their approved, delegated limits before allowing any action in respect of them to take place. All virements above the above limits must be approved by the relevant Members with responsibility for Portfolios and Cabinet.

Note - "Approved budget" above means the original provision made when the annual budget was approved by Council, plus or minus any variation which has been approved subsequently.

### **Capital Budget Virements**

3.11 The Council has agreed that CIPB will make recommendations on virements within the overall agreed capital plan of the Council in the following areas:

- Between programme areas. This will be actioned by the Executive Director, Place and Economic Growth in consultation with the Director of Finance and Cabinet Member with responsibility for Finance;
- Within approved programme areas. This will be actioned by the Executive Director, Place and Economic Growth in consultation with the Director of Finance and Cabinet Member with responsibility for Finance.

3.12 Whenever a project is to be funded via prudential borrowing it shall be done in accordance with the Council's Borrowing Strategy.

### **Virements – General Protocols**

3.13 The Director of Finance will report as part of the regular budget monitor to the Cabinet and the relevant Scrutiny Board, summarising any variations of the annual estimates including transfers to and from earmarked reserves for consideration at that meeting.

3.14 A virement is specifically not allowed where the transfer of resources is from budgets for capital charges and statutory taxes and levies.

- 3.15 All virements will be recorded in a way prescribed by the Director of Finance, who will arrange for virements to be reported to the Cabinet, where appropriate.
- 3.16 Senior Officers are authorised to incur any expenditure included in the approved revenue budget for the Service, as amended by any virement.

#### **4. CAPITAL PLAN PREPARATION AND MANAGEMENT**

##### **Responsibilities**

- 4.1 The Council is responsible for agreeing the overall allocation of resources to the Council's Capital Strategy and Programme.
- 4.2 The Cabinet is responsible for recommending to the Council a multi-year Capital Strategy and Programme. The CIPB undertakes overall management oversight for the Capital Strategy and Capital Programme on behalf of the Cabinet.

##### **Capital Strategy and Programme Preparation**

- 4.3 The Cabinet will submit to the Council each year a multi-year Capital plan with planning totals for the main programme areas for at least the three following years, to align with the Medium Term Financial Strategy.
- 4.4 The Capital Investment Programme Board determine the criteria for the selection of projects to form the Capital Programme. This will assist the Director of Finance to prepare a programme of capital schemes for consideration by the CIPB, Scrutiny Board and then by Cabinet.
- 4.5 The Cabinet will recommend, and Council will approve the initial allocations to projects and programme areas.
- 4.6 CIPB will recommend the subsequent allocations of resources from programme areas to projects within the overall total agreed by Council.
- 4.7 The Director of Finance will advise the Cabinet and the Council on the overall Capital Programme and levels of funding available.
- 4.8 Senior Officers are responsible for providing details of all projects in a format prescribed by the Director of Finance.

##### **Capital Programme Management**

- 4.9 The Cabinet is responsible for implementing the Capital Programme within the resources allocated. The Cabinet will provide summary monitoring information to the Council when required. The CIPB delivers the detailed implementation of the Capital Programme. CIPB operates in accordance with the principles set out in these Financial Procedure Rules.

- 4.10 The CIPB will recommend capital budget virements in accordance with the protocol set out at paragraph 3.5
- 4.11 The Leader of the Council in consultation with the Chair of the CIPB, may also delegate authority under Financial Procedure Rules 4.10 to individual Cabinet members, in consultation with key statutory officers. The Leader of the Council, in consultation with the Chair of the CIPB is required to determine arrangements for delegation, which may differ between service areas. The Leader, in consultation with the Chair of the CIPB, may delegate to Directors authority to exercise virement within a programme area, provided that: -
- (a) the spending on the whole programme area being contained within the resources allocated;
  - (b) Directors report retrospectively to Cabinet on the use of this authority as part of the regular monitoring on the Capital Programme.
- Such delegations will be recorded in a scheme of delegation to Cabinet members included at Part 3 of the Constitution.
- 4.12 All virement will be recorded in a way prescribed by the Director of Finance, who will arrange for virements to be reported to the Cabinet.
- 4.13 Senior Officers are responsible for managing programmes and projects. They must take action to avoid overspending the amounts provided in the Capital Plan and report any difficulties to the Director of Finance.
- 4.14 Senior Officers must prepare regular reports on the progress of projects in a format and to a timetable prescribed by the Director of Finance.
- 4.15 The Director of Finance will report to the Cabinet and the relevant Scrutiny Board on the projected overall out-turn of the Capital Programme as part of the regular budget monitoring reports.
- 4.16 The inclusion of a project within the Capital Programme confers authority to proceed with planning applications and the completion of feasibility studies and option appraisals.
- 4.17 Senior Officers must prepare a business case in respect of each project before proceeding to detailed project design or land acquisition. The business case should be prepared in a format prescribed by the Director of Finance and must be considered by the CIPB. The Cabinet will in some instances decide that the business case should be prepared for a whole programme area, or a group of projects. The Cabinet may delegate its authority to approve business cases to Authorised Senior Officers in consultation with Cabinet members or CIPB.
- 4.18 Once a business case is approved, Senior Officers are authorised to proceed to detailed design and to commit to contracts providing:

- (a) that the total costs of a project including tenders or quotations, fees etc, are estimated to be less than or equal to the amount approved in the business case and the Capital Programme;
  - (b) that where the total costs of a project exceed the amount approved in the business case and the Capital Programme and the excess is within the agreed tolerance levels, the appropriate virement has been approved to finance the additional cost;
  - (c) all necessary external approvals, if any are required, have been obtained;
  - (d) the incurring of the expenditure has been authorised by the Director of Finance;
  - (e) that any contract shall be executed in accordance with the Contract Procedure Rules.
- 4.19 The tolerance levels set out in Financial Procedure Rule 4.18(b) will be calculated at 10% of the approved estimate or £25,000 whichever is the greater. If this tolerance level is exceeded the approval to proceed must be sought by reporting to Cabinet (which may be by inclusion of the issue within the regular capital monitoring report).
- 4.20 The Director of Finance will authorise the incurring of the full project costs provided he/she is satisfied that the approval will not give rise to any further expenditure not provided for in either the Capital Programme or the Revenue Budget.
- 4.21 During the completion of corporate projects totalling £250,000 and over, Senior Officers must co-operate with any requirement to complete a gateway review and the production of reports to CIPB setting out the outcomes from the project and whether these match the planned outcomes set out in the original business cases. Further phased expenditure on a project cannot be agreed until an appropriate business case has been approved by CIPB and an appropriate report produced as per agreed delegations.

## **5. FINANCIAL SYSTEMS AND PROCEDURES**

- 5.1 The Director of Finance is responsible for setting the standards of the operation of the Councils accounting and financial systems, the form of accounts and the supporting financial records. Any changes to the existing financial systems, processes or procedures; or the establishment of new systems to meet the specific needs of a Service must have prior written express approval of the Director of Finance before being implemented.
- 5.2 Senior Officers and key partners must ensure that officers understand and are competent to undertake their financial responsibilities and receive relevant financial training that has been approved by the Director of Finance



- 5.3 Senior Officers and key partners are responsible for the proper operation of financial processes in their own departments and must ensure that all financial, costing, and other statistical information is recorded fully and accurately.
- 5.4 Senior Officers and key partners must ensure that financial documents are retained in accordance with the Council's approved retention schedule.
- 5.5 As far as practicable, Senior Officers must make arrangements for the separation of duties between the carrying out of transactions and the examining and checking of transactions.
- 5.6 Any departure from using corporate accounting and financial systems must be approved and justified on cost/service grounds to the Director of Finance before the commitment to change is agreed.
- 5.7 Authorised Senior Officers together with key partners must ensure that, when appropriate, computer based, and other systems are registered in accordance with Data Protection Legislation and that staff are aware of and fulfil their responsibilities under freedom of information legislation.
- 5.8 Grant claims, financial returns and submissions must be completed by the relevant Senior Officers and/or appropriate Finance Officers and authorised by the Director of Finance or their designated representative prior to submission to a Government Department or other external agency.
- 5.9 Where there is a requirement for the certification by the Chief Internal Auditor, Director of Finance or the Chief Executive, of grant related expenditure incurred by the Council, this should be obtained by the Service in advance of the submission of the certified grant claim.
- 5.10 Any proposals to use leasing to finance any expenditure within the Council, excluding schools' budgets, should be subject to review by the Director of Finance or their representative to ensure the financial implications receive appropriate consideration.

## **6. INTERNAL AUDIT AND COUNTER FRAUD**

### **Responsibility & Authority**

- 6.1 Under the Accounts and Audit (Amendment) Regulations 2022 the Director of Finance must arrange and direct a continuous Internal Audit, which is an independent review of the accounting, financial and other operations of the Council. The Public Sector Internal Audit Standards (PSIAS) ("Standards") came into effect on 1 April 2013, replacing the 2006 Code of Conduct, and was then revised in 2017. The Standards are mandatory for all central government departments, local government and agencies and have been developed based in global and national best practice. They are intended to promote professionalism, quality, consistency and effectiveness of Internal Audit across the public sector and for local authorities, are supported by

CIPFA. Therefore, the scope, objectives and operation of Internal Audit in Oldham is that recommended by CIPFA and set out in the Standards.

- 6.2 The Chief Internal Auditor (the Head of Internal Audit and Counter Fraud performs that role for Oldham Council), or role(s) designate will report directly to the Chief Executive and the Chair of the Audit Committee in any circumstance where the functions and responsibilities of the Director of Finance are being reviewed. The Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The Chief Internal Auditor, in accordance with the PSIAS, will provide an Annual Opinion on the overall internal control environment of the Council to the Audit Committee.
- 6.3 Internal Audit and Counter Fraud Staff have the authority to:
- (a) enter at all times any Council premises or land or location from which Council services are provided;
  - (b) have access to all property, records, documents and correspondence relating to all activities of the Council;
  - (c) require and receive explanations concerning any matter; and
  - (d) require any employee of the Council, without prior notice, to produce cash, stores or any other property for which they are responsible.

### **Reporting**

- 6.4 The Director of Finance must report upon:
- (a) the risks inherent in and associated with the operational/service processes and information technology;
  - (b) the soundness, adequacy and application of the financial and other management controls and systems within each Service;
  - (c) the extent of compliance with, and the financial effects of, established policies, plans and procedures;
  - (d) the extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause;
  - (e) the suitability, accuracy and reliability of financial and other management data within the organisation; and
  - (f) value for money aspects of service provision.

- 6.5 In respect of any Internal Audit and Counter Fraud report or communication issued, the Senior Officer, and/or their nominated deputy, must reply within 3 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments a reply must be made within 2 weeks of issue.
- 6.6 Authorised Senior Officers responsible for an area of service provision / financial or other management system which is the subject of Internal Audit recommendations, must respond to Internal Audit and Counter Fraud requests for progress and status updates against previously agreed Internal Audit recommendations. This requirement exists until all recommendations are actioned satisfactorily.
- 6.7 The Chief Internal Auditor will report to the Audit Committee on a cyclical basis about the findings of Internal Audit and Counter Fraud, the progress on issues in the Directorate Risk Register and Assurance Statements in each of the Directorates. The Chief Internal Auditor will report the Annual Report and Opinion on the System of Internal Control for the year ended 31<sup>st</sup> March (year, as relevant) to the Audit Committee.

### **Investigations and Suspected Fraud or Corruption**

- 6.8 The Chief Internal Auditor is responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud service at Oldham Council operates as recommended by CIPFA. The Cabinet Office also provide guidance on professional Counter Fraud standards across the public sector, and such guidance is followed in Counter Fraud activities undertaken by Oldham Council.
- 6.9 The Director of Finance is responsible for the development and maintenance of the Counter Fraud suite of strategies and for directing the Council's efforts in fraud investigation. The Director of Legal Services supported by the Chief Internal Auditor is responsible for the development of the Whistleblowing Policy and the Chief Internal Auditor is responsible for the assessment of Whistleblowing disclosures against the Public Interests Disclosure Act 1998 and reporting disclosures to the Monitoring Officer.
- 6.10 Authorised Senior Officers must ensure that all Members and employees are:
- a) aware of the Council's Anti-Fraud and Anti-Corruption Strategy;
  - b) aware of the Whistleblowing Policy;
  - c) operating in a way that maximises internal check against inappropriate behaviour; and
  - d) able to undertake the on-line training package on preventing fraud supported by the Council.

- 6.11 It is the duty of any officer who suspects or becomes aware of any matter which may involve loss or irregularity concerning cash, stores or other property of the Council or any suspected financial irregularity in the operations or exercise of the functions of the Council to immediately advise their Head of Service/Senior Office. The Head of Service/Senior Officer concerned must immediately notify the Director of Finance who may take action by way of investigation and report.
- 6.12 Where, following investigation, the Director of Finance considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Head of Service/Senior Officer on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service.
- 6.13 Where there are sufficient grounds to believe that a criminal act may have been committed and it is agreed to refer the matter to the Police for investigation, this should be recorded on a central log of “matters referred to the Police” maintained by Internal Audit and Counter Fraud.
- 6.14 The Chief Internal Auditor shall on an annual basis maintain and update the Fraud and Loss Risk Assessment of the Council.

## **7. INSURANCE**

- 7.1 The Director of Finance, in consultation with Senior Officers is responsible for assessing insurable risks and for arranging all insurance cover, including the management and control of the insurance fund. He/she will control all claims and maintain records of them.
- 7.2 Senior Officers and specifically managers of key Regeneration Projects must promptly notify the Director of Finance in writing of all new risks or assets to be insured and of any alterations affecting existing insurances. All insurances held must be reviewed on an annual basis.
- 7.3 In the event of any insurance claim or occurrence Senior Officers must:
- (a) not admit liability where this may prejudice the outcome of any settlement;
  - (b) promptly notify the Insurance Portfolio Manager in writing, of any loss, liability, damage or any event likely to lead to a claim; and
  - (c) inform the Police in the case of loss or malicious damage to Council property.
- 7.4 Senior Officers must consult the Director of Finance and the Director of Legal Services as to the terms of any indemnity the Council is required to give.

7.5 The Director of Finance will determine the extent of insurance cover in line with Contract Procedure Rules which must be provided for in any external contract for the supply of goods, works or services. The Director of Finance/Assistant Director of Finance, in consultation with the Senior Officer,, may reduce the cover requirements in respect of specific contracts.

## **8. ASSETS**

8.1 Senior Officers are responsible for the care and custody of all current and fixed assets of the relevant service (including stocks, stores, inventory items and all other items used for the Council's purposes, including property). These items must only be used for the authorised purposes of the Council. Assets must be recorded in Oldham Council's Asset Register, in accordance with the CIPFA Code of Practice.

8.2 Senior Officers must ensure that contingency plans exist for the security of assets and the continuity of service in the event of any disaster, significant event, or system failure. Whilst the Council's Emergency Plan, Business Continuity Plans and its Disaster Recovery Plan for Information Systems are the main devices to be used and followed by Authorised Senior Officers, they are not exhaustive, and should be added to or improved upon by them when necessary.

### **Disposal of Assets**

8.3 Surplus or obsolete goods, materials and inventory items are to be disposed of by agreed transfer to another Service, competitive sale or public auction in accordance with both Contract Procedure Rules and the Land and Property Protocols, except when the Cabinet instructs otherwise. Where appropriate, the Council's Asset Register should be amended accordingly.

8.4 Leased items should only be disposed of in accordance with the instructions of the lessor.

### **Stores**

8.5 Senior Officers must keep records of all stock items in excess of £100 held and certify the value for accounting purpose at 31 March of each year. The Director of Finance will determine which items will be subject to stock accounting, the methods of recording and valuation.

8.6 Senior Officers must arrange periodical or continuous checks of stock. This should be by persons independent of the management of the stock. These arrangements must ensure that all items of stock are checked at least once per year. The Director of Finance will be notified of any discrepancies revealed by periodic checks and is authorised to amend records accordingly.

8.7 Stock holdings should be kept at minimum levels consistent with normal working practices

## **Inventories**

- 8.8 Senior Officer are responsible for ensuring that detailed inventories of all land, buildings, equipment, furniture, fittings, vehicles, plant and machinery are compiled and kept up to date. New inventory items must be entered promptly, and redundant items deleted and disposed of in accordance with Financial Procedure Rule 8.3. The form of inventory and the type of assets recorded thereon will be determined by the Director of Finance after consultation with the appropriate Senior Officer.
- 8.9 The inventory should include:
- (a) the nature, type, model, serial number, location, quantity, value, date of acquisition;
  - (b) all items of, or collection of similar items valued at, more than £100;
  - (c) items of a lesser value which are portable and attractive; and
  - (d) evidence to indicate an annual inspection has been carried out.
- 8.10 When Council assets are loaned to employees, other Council services or other organisations, the Senior Officer must record the reason for the loan, date/periods and name of the receiver.
- 8.11 Inventory items must be security marked, stamped or engraved with the Council's name.
- 8.12 Each Senior Officer is responsible for ensuring that an annual check is made of all items on the inventory and must notify the Director of Finance of any discrepancies revealed by these checks.

## **Asset Register**

- 8.13 The Director of Finance must ensure that an Asset Register in accordance with agreed auditing standards is maintained. This will include all land and property
- 8.14 Each Senior Officer must immediately notify the Director of Finance of the acquisition of any asset having a value of £10,000 or more.
- 8.15 Each Senior Officer must immediately notify the Director of Finance of the disposal (or transfer to another Service) of any asset (or part of any asset) which is included on the Asset Register.
- 8.16 In respect of any item acquired by lease the inventory must be marked with the name of the leasing company and the date of expiry of the lease agreement. When requested by the leasing company the item must be suitably marked as the property of that company.

## **Land and Property Assets**

- 8.17 The Executive Director, Place and Economic Growth must ensure that the detailed record of all land and property owned by the Council is included in the Councils Asset Register.
- 8.18 The Director of Legal Services is responsible for the security and custody of all title deeds and must maintain a suitable register.
- 8.19 The disposal of land and property is dealt with additionally in Contract Procedure Rules and through the Land and Property Protocol.

## **9. SECURITY**

### **Security of Assets**

- 9.1 All staff are responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash and any other assets for which they are responsible. The Director of Finance must be consulted to establish adequate security arrangements.
- 9.2 All keys to safes and other places containing money, goods or other valuables are to be the responsibility of specified officers who must retain possession of such keys at all times. A register of keys and their holders must be maintained by each Senior Officer. The loss of any key must be reported immediately to the Senior Officer who must record details of the circumstances of the loss, and take such action as is necessary to protect the property of the Council.
- 9.3 Maximum limits for cash holdings in each separate establishment are to be agreed with the Director of Finance and must not be exceeded without permission.

### **Security of Information**

- 9.4 All staff must maintain proper security, privacy and use of information held in computers and all other recording systems under their control. Senior Officers must ensure that:
- (a) all employees are aware of and comply with the Council's Information Security and Information Management policies;
  - (b) all sensitive information is protected from unauthorised disclosure;
  - (c) the accuracy and completeness of information and software is safeguarded;
  - (d) software and other intellectual property is used only in accordance with licensing agreements;
  - (e) Data Protection legislation is complied with;

- (f) the Freedom of Information Act and Environmental Information Regulations are complied with;
- (g) proper controls to system and physical access are in place;
- (h) the Councils intellectual property rights are protected; and
- (i) data taken off site by staff has the appropriate security such as encryption in place to protect the data should it be lost.

### **Security of Property Relating to Clients and Customers**

- 9.5 Senior Officers must provide detailed written instructions on the collection, custody, investment, recording, safekeeping and secure disposal of customer/clients' property (including instructions on the disposal of property of deceased clients) for all staff whose duty is to administer, in any way, the property of clients. Due care should be exercised in the management of a customer or clients' money in order to maximise the benefits to the customer/client.
- 9.6 The Council is responsible for taking reasonable care of all items of property found by staff or members of the public on Council premises until the items are reclaimed or disposed of. Each Senior Officer must nominate officers who are responsible for the custody of lost property and keep a register of such property received, detailing the item, date, time, name and address of finder and how and to whom the property is returned or disposed of.
- 9.7 The Information Management Team must be informed of any loss for which the Council is the data controller, in line with the Security Incident Management policy.
- 9.8 Senior Officers may seek Cabinet authority on how lost property will be dealt with. Otherwise, if the lost property is not claimed within three months it vests in the Council. The Head of Service will then determine if the item is of value for use by the Council and arrange for its use for this purpose. All other items are to be disposed of by sale in accordance with Contract Procedure Rules.

### **Security Passes**

- 9.9 All staff who are located in offices are responsible for accessing the building in accordance with management instruction. This will include keeping their staff security badges secure and reporting any loss promptly to their line manager.



## **10. TREASURY MANAGEMENT**

### **Policies and Strategies**

- 10.1 The Council has adopted requirements of the Ministry of Housing, Communities and Local Government (MHCLG), now the Department of Levelling Up, Housing and Communities [DLUHC] Investment Guidance, the MHCLG Minimum Revenue Provision Guidance, the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code.
- 10.2 The Council is responsible for adopting:
- (a) A treasury management policy statement, setting out the policies and objectives of its treasury management activities, and treasury management practices, setting out how those policies and objectives will be achieved and how treasury management will be managed and controlled;
  - (b) An Annual Investment Strategy, determining the type and level of investments to be entered into over the coming year together with a policy on risk management and a creditworthiness policy, and the level of investment in specified and non-specified investments;
  - (c) The Minimum Revenue Provision policy (in line with Government Guidance) and the Borrowing Strategy.
- 10.3 The Director of Finance will prepare a report before each financial year recommending a treasury management strategy and investment plan, and subsequently an annual report after the end of the year. In addition, there will be a treasury management update at the end of quarters 1, 2 and 3 including performance in relation to prudential indicators. Each of these reports must be considered by Cabinet where there will be a recommendation to Council where there will be final approval.
- 10.4 The Audit Committee is responsible for the review of treasury management policies, procedures and practices and reviewing all treasury management reports (including reports presented to Cabinet and Council). The relevant Scrutiny Board will also undertake scrutiny of the Annual Treasury Management Strategy Report as part of its budget scrutiny function.
- 10.5 The Director of Finance is responsible for the execution and administration of treasury management decisions in accordance with the policy statement and agreed practices as set out at in the Treasury Management Strategy Statement report presented to Budget Council.

## **Administration**

- 10.6 All money under the management of the Council is to be aggregated for the purposes of treasury management and will be controlled by the Director of Finance.
- 10.7 Investments other than bearer securities are to be in the name of the Council or nominee approved by the Cabinet. All borrowings are to be in the name of the Council.
- 10.8 The Director of Finance will select the Council's Registrar of stocks, bonds and mortgages and must maintain records of all borrowings by the Council.
- 10.9 A suitable register must be maintained in respect of all investments, securities, bearer securities and borrowings.
- 10.10 The Director of Finance will arrange all loans. The Director of Finance is to be informed of all leases entered into by Senior Officers.

## **Trust Funds**

- 10.11 All trust funds are to be, wherever possible, in the name of the Council. Officers acting as trustees by virtue of their official position must deposit all documents of title relating to the trust with the Director of Legal Services (unless the Trust Deed otherwise directs) who must maintain a register of all such documents deposited.

## **11. BANKING ARRANGEMENTS, CHEQUE SIGNING AND IMPREST ACCOUNTS**

### **Banking Arrangements**

- 11.1 All of the Council's banking arrangements are to be approved by the Director of Finance, who is authorised to operate such bank accounts as he or she considers appropriate.
- 11.2 Bank accounts must not be opened without the approval of the Director of Finance. Where a bank account is opened, the account name must describe the purpose of the account. All new accounts should be named in the format Oldham MBC, XYZ Account.

### **Cheques and Electronic Payments**

- 11.3 Payments to suppliers and employees will all be made by electronic means unless there is specific agreement with the Director of Finance to use another method.
- 11.4 All cheques are to be ordered only in accordance with arrangements approved by the Director of Finance, who is to ensure their safe custody. Cheques drawn on the Council's main bank accounts must either bear the facsimile signature

of the Director of Finance and or be signed in manuscript by him/her or other authorised officers. All alterations and amendments are to be signed in manuscript by the Director of Finance, or other authorised officers.

- 11.5 Banking arrangements made for authorisation of payments to be made or received under electronic transfer are to be in a form approved by the Director of Finance.
- 11.6 There will only be cash advances made in relation to money for clients associated with care or specific exemptions agreed by the Director of Finance.

### **Imprest Accounts**

- 11.7 Senior Officers will determine what amount is appropriate for an individual imprest subject to any limit set by the Director of Finance, and keep a record of every imprest issued, including the name of the imprest holder, amount and location.
- 11.8 Any imprest holder (or sub imprest) must at any time account for the total imprest if requested to do so by the Director of Finance and keep adequate records in a form approved by the Director of Finance and supported by valid (VAT) receipts. On ceasing to be responsible for an imprest account the officer must account promptly to the Senior Officer for the amount advanced.
- 11.9 Payments from imprest accounts are to be limited to minor items of expenditure and to any other items approved by the Director of Finance.
- 11.10 Where deemed appropriate by an imprest account holder a sub-imprest may be provided to another officer for which the main imprest account holder must obtain and retain an acknowledgement. In all cases where this occurs the main imprest holder must notify the Senior Officer.

## **12. INCOME**

- 12.1 The Revenue Budget report presented to the relevant Scrutiny Board for scrutiny prior to the start of each financial year will include proposals for fees and charges, including any amendments, for the forthcoming financial year. This will be prepared by the Director of Finance in consultation with Heads of Service/Directors. After comments from the Scrutiny Board, the final approval of fees and charges will align with the budget process, with a report to Cabinet with a recommendation to Council. Any amendments in year should be reported to Cabinet for approval.
- 12.2 The methods of collecting, recording and banking of all income due to the Council are to be approved by the Director of Finance.
- 12.3 The Director of Finance must be notified, in accordance with practices agreed with the relevant Senior Officer, of all income due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council.

- 12.4 Senior Officers must ensure that to the maximum extent possible income is collected by electronic means.

### **Collection and Banking of Income**

- 12.5 Senior Officers must make appropriate arrangements for the control and issue of all receipt forms, books, tickets, ticket machines or other acknowledgements for money.
- 12.6 All income received by the Council must be acknowledged by the issue of an official receipt or by another approved method indicating payment has been received.
- 12.7 All money received by an officer on behalf of the Council must be paid to the Council's bank account as the Director of Finance may determine, at regular intervals taking account of the security of the premises. No deductions are to be made from such monies unless specifically authorised by the Director of Finance. Personal cheques must not be cashed out of monies held on behalf of the Council. Refunds must be made through the payments system.
- 12.8 Arrangements for opening incoming mail must ensure that any money so received is immediately recorded.
- 12.9 Every transfer of official money from one officer to another must be evidenced in the records of the services concerned by the signature of the receiving officer.
- 2.10 All requests to collect income using card machines require the approval of the Director of Finance. The Service requesting the card machines shall fund, from their own budgets, any expenditure required so the process is compliant where practicable with the Payment Card Industry Data Security Standard (PCI DSS).

### **Discrepancies in accounting records**

- 12.11 Each Senior Officer must maintain a detailed record of all discrepancies in records including cash surpluses and deficiencies in a manner approved by the Director of Finance, and these must be recorded in the Council's accounts.
- 12.12 The Senior Officer must investigate any apparent patterns of discrepancies.
- 12.13 Where such discrepancies are in excess of £100 individually, or in total within any period of 1 month, the Senior Officer concerned must immediately investigate and notify the Director of Finance who may undertake such investigations as he/she deems appropriate.

### **Debtors**

- 12.14 Wherever possible, payment should be obtained in advance or at the time of provision of a service, goods, letting or works.

- 12.15 Where credit is given, Senior Officers must ensure that the credit status of each customer is satisfactory. Senior Officers are responsible for arranging for staff to raise debtor accounts using the financial ledger approved by the Director of Finance immediately a debt falls due. Each Head of Service, in conjunction with the Director of Finance must maintain adequate records to ensure that all credit income due to the Council is promptly recovered. Where services are proposed through the year's accounts, they should be raised on a monthly basis to the body in receipt of the service.
- 12.16 Authorised Senior Officers must each identify employees authorised to act on their behalf, or on behalf of the Cabinet, in respect of: income collection, together with the limits of each person's authority.

### **Debts including Council Tax, Business Rates, Sundry Debt, Housing Benefit Payments**

- 12.17 The Assistant Director responsible for managing the collection of Council Tax, Business Rates, Sundry Debt (including debt relating to the corporate estate and Adult Social Care) and Housing Benefit Overpayments shall regularly review the level of debts due from these activities and ensure, in conjunction with the service that has raised the debt and the Director of Finance, that there is an adequate level of provisions required for bad and doubtful debts. Authorisation of write off for individual debts will be agreed with the service that has raised the debt and action taken as follows:
- a) individual debts less than £100 by officers within the Accounts Receivable Service following consultation with the debt raising service. At the end of each quarter of the financial year, the Assistant Director shall submit a report to the Director of Finance detailing these write offs;
  - b) individual debts up to £5,000 by the Assistant Director following consultation with the debt raising service . At the end of each quarter of the financial year, the Assistant Director shall submit a report to the Director of Finance detailing these write offs;
  - c) individual debts up to £10,000 by the Director of Finance.
  - d) individual debts up to £30,000 by the Director of Finance in conjunction with the Cabinet Member with responsibility for Finance;
  - d) individual debts over £30,000 by Cabinet.
- 12.18 For debts other than those covered in 12.17 above, the authorisation limits for individual sundry debts are as follows:
- a) individual debts up to £10,000 by the relevant Authorised Senior Officer in conjunction with the Director of Finance;

- b) individual debts over £10,000 by Cabinet; and
- c) relevant Authorised Senior Officers should review the requirement for write off on a quarterly basis and provide that information to the Director of Finance

12.19 As part of the closure of the final accounts the Director of Finance shall undertake a detailed review of the outstanding debts owed to the Council and write off amounts that the Director deems irrecoverable prior to the draft annual accounts being submitted to the Audit Committee for approval. The individual debts written off as part of this process shall be reported to the Cabinet Member with responsibility for Finance.

12.20 The 'writing off' of a debt does not absolve a Senior Officer or a Service of the responsibility to collect such debts, and the position in relation to such debtors is to be monitored by the Senior Officers.

12.21 Where the Director of Finance considers that individual services have not raised debtors accounts in a prompt manner the officer may calculate the interest lost to the Council and charge this amount to the service budget.

12.22 On an annual basis (and more frequently if required) Senior Officers will review the level of debtors' accounts in their particular area which remain unpaid. This will be discussed with the Director of Finance and/or their representative and provision made for any amounts which require a bad debt provision at the end of the financial year.

12.23 The amount of income to be credited in respect of sundry debts to individual Directorate accounts shall be determined by the Director of Finance with a clear reference to the actual cash amount received by the Council.

### **13. ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

#### **General**

13.1 Every Officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct. These interests should be registered with the Director of Legal Services as per the Council's agreed procedures.

13.2 Public money must be spent with demonstrable probity and in accordance with the Council's policies, including ensuring suppliers' compliance with taxation in accordance with resolutions of Council. Where appropriate a valid purchasing order shall be raised Local Authorities have a statutory duty to achieve best value in part through economy and efficiency and the Council's procedures (Contract Procedure Rules, Scheme of Delegation, Financial Procedure Rules and in accordance with Procurement Policy and Practice)

must be followed to help Directorates obtain value for money from their procurement arrangements.

- 13.3 Whilst Contract Procedure Rules have a threshold for written competitive quotations, it is nevertheless an obligation on officers to be able to show that they have received value for money at much lower levels than the formal requirement of these rules.
- 13.4 Where the Council has corporately negotiated contracts for goods, services or works, Directorates shall normally use these contracts for such supplies. Information on these contracts can be obtained from the Corporate Procurement Section. Where the Council is also the supplier of a service, officers ordering shall always give the in-house provider the opportunity to quote for the supply.
- 13.5 Senior Officers must ensure that all valid invoices are paid as a minimum within 30 days of receipt. Suppliers should be encouraged to participate in the early discount scheme of the Council and that invoices are submitted in a timely manner to maximise the amount of early payment. In payment of invoices all officers should comply with the detailed guidance issued by the Director of Finance. This includes an analysis where appropriate that a supplier is financially robust to receive all payments via the early payments scheme.
- 13.6 The Director of Finance will determine the method and frequency of payment from one of the Council's main bank accounts, except for: -
- a) petty cash and other imprest accounts
  - b) delegated bank accounts approved by the Director of Finance

### **Raising orders**

- 13.7 All orders for goods, services and works shall be made using the Council's agreed procurement system, A1/Agresso. Unless agreed by the Director of Finance as an agreed exception, orders should be issued in advance of the receipt of the service and invoice.
- 13.8 Each Authorised Senior Officer's own Scheme of Delegation must identify employees authorised to act on their behalf, or on behalf of the Cabinet, in respect of payments and orders, together with the limits of each person's authority.
- 13.9 Senior Officers must approve a schedule of Council officers authorised to raise requisitions, undertake approvals up to order and invoice stages and to supply their names, job titles and authorised approval levels to the Director of Finance. The schedule must be reviewed at least once per year.
- 13.10 By approving a requisition the approving officer indicates that satisfactory checks have been carried out to ensure that:

- (a) the authoriser of the order should be satisfied that the goods and services ordered are appropriate and necessary;
- (b) the order value indicates that prices, extensions, calculations, discounts, other allowances and all relevant taxes are correct;
- (c) payment will be processed via a proper tax invoice;
- (d) the proposed expenditure will be properly incurred, is within budget, and has been charged to the appropriate budget;
- (e) entries will be made in asset registers, inventories, stores and other records as appropriate;
- (f) the order has not been processed previously;
- (g) the commitment is a proper liability of the Council.

There should be adequate controls to agree invoice values to contracts or non A1/Agresso orders where a dispensation has been received for not using A1/Agresso ordering as detailed in section 13.7. The supplier's sales invoice reference should be recorded in spreadsheet format by the budget holder's department to allow the tracing of invoices input to A1/Agresso in the absence of an A1/Agresso purchase order reference.

- 13.11 The correct receipt of goods shall be acknowledged by recording the details on A1/Agresso or the signature of an appropriate officer who checks for quantity and quality to the details set out on the delivery note to validate the receipt of goods or services. This should not be the same officer who has approved the order.
- 13.12 Signed delivery notes shall be matched and checked to the appropriate electronic order and retained as a record of receipt of the delivery.
- 13.13 System procedures must be followed for the treatment of part or incorrect deliveries and the system updated appropriately.
- 13.14 Goods shall be held with appropriate security and entered into stores or an inventory, if appropriate (see section 8). Permanent valuable items shall be marked as the property of Oldham Metropolitan Borough Council. This does not apply to equipment leased by the Council, which shall be marked to indicate the equipment is leased in such a way as not to deface the equipment.

### **Paying invoices**

- 13.15 Payments shall only be made in respect of goods or services properly received on receipt of an official invoice from the supplier. The invoice must contain, if appropriate, the company registration and VAT numbers and valid Purchase Order number. Failure to quote an order number will not allow the Council



system to match with the original purchase order and as a result the invoice will be returned to the sender for the inclusion of this data.

- 13.16 Invoices will be received and processed by the Accounts Payable Team, who will electronically scan the invoices, which will be matched by the system to the relevant order and goods/services received record and passed for payment if within system tolerances.
- 13.17 An exception to this matching process relates to non-order invoices input under the dispensation rule detailed in 13.7 above where the budget holder effectively gives retrospective order approval after an invoice has been input.
- 13.18 Authorised Senior Officers are responsible for ensuring that undisputed invoices are processed for payment within a maximum of 30 days from receipt of the invoice.

### **Advance Payments**

- 13.19 Where a supplier or contractor requires payment prior to the despatch of goods or the provision of services for a new service, an official order signed by a duly authorised officer and clearly marked that payment is to be made before receipt of the goods or services must be completed. A pro forma invoice or supplier's order form detailing fully the goods/service to be obtained must be approved by an officer authorised to certify invoices and retained as a record of the payment made.
- 13.20 Where a supplier or contractor of a supply/ works has already been agreed under a tender/ contract process, then a payment can only be agreed following the submission of a mod.gov report setting out the rationale for agreeing the payment.

### **Transparency Agenda**

- 13.21 As a part of Transparency Agenda the Council shall publish all individual transaction for expenditure in excess of £500 within statutory deadlines.

## **14. PAYMENT CARDS**

- 14.1 All arrangements regarding payment and procurement cards must be approved by the Director of Finance.
- 14.2 Senior Officers in conjunction with Director of Finance will determine the credit limit for individual payment and procurement cards.
- 14.3 Each cardholder will ensure safe custody of the card and not exceed their monthly limit.
- 14.4 Cards may be used only in accordance with the approved scheme and for legitimate expenses incurred by the cardholder in the course of official Council business.

They must not be used:

- (a) to circumvent the procedures for the ordering of and payment for, goods and services under these regulations; or
- (b) to purchase items for the private or personal use of cardholders.

14.5 Each cardholder must ensure that all expenditure incurred is supported by adequate records and in respect of payment cards, a VAT receipt is obtained to support all expenditure.

## **15. SALARIES, WAGES AND PENSIONS**

15.1 All payments of salaries, wages, pensions, compensations, gratuities, allowances and other emoluments to current or former employees and Members are to be made by the Councils Payroll Service or an agreed payroll provider (in relation to schools) in accordance with information supplied by the Senior Officer. All payroll transactions must be processed through the Council's payroll system. This will include all Members and Officers expenses which are to be paid in arrears by payroll.

15.2 Senior Officers must ensure that appointments of all employees and agency staff are in accordance with the appropriate Conditions of Service of the Council or any approved scheme of delegation, and are within the approved budgets, grades and rates of pay. Any variations of terms and conditions must be in accordance with arrangements approved by the Assistant Chief Executive.

### **Records**

15.3 Senior Officers must maintain adequate records to notify the Payroll Service of all appointments, resignations, dismissals, and retirements together with changes in pay rates, bonuses due, overtime worked and other matters affecting remuneration, and provide all information to ensure that the correct adjustments are made in respect of absences, pensions, income tax, national insurance, sickness and maternity pay and any other additions, to or deductions from pay. Senior Officers must also advise the Payroll Service of any employee benefit in kind to enable reporting for taxation purposes.

15.4 Time records and other pay documents must be maintained in a manner approved by the HR Transactional, Payroll and Pensions Operations Manager and be certified by the relevant Senior Officers or other authorised officers. A record of all authorised officers must be maintained together with specimen signatures, a copy of which will be sent to the Payroll Service.

15.5 Access to Payroll Data shall be made available to authorised Council representatives by all audit providers to the Council.

## **Overpayments**

- 15.6 The Director of Finance is authorised to write-off any net overpayment of salary/wage where death-in-service of an employee occurs, except where the Council holds a statutory obligation to recover such overpayments. All other overpayments of pay must be treated for the purposes of recovery and write off in accordance with Financial Procedure Rule 12.

## **16. TRAVEL, SUBSISTENCE AND OTHER ALLOWANCES**

- 16.1 Payment of all claims is to be made via payroll or under other arrangements approved by the Director of Finance and must be in accordance with Schemes of Conditions of Service adopted in respect of the employee to which the payment relates.
- 16.2 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses, must be made by the payroll system. The on-line system provides for certification by the Senior Officers or authorised officer under individual schemes of delegation for Authorised Senior Officers.
- 16.3 The certification of a claim by or on behalf of a Senior Officer is taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council. Expense claims which relate to a period more than 6 months before the date of submission will not be paid, except in special circumstances agreed by the Director of Finance.
- 16.4 Where air travel is required for business purposes, all such flights should be authorised in advance by the relevant Authorised Senior Officer.

## **17. TAXATION**

- 17.1 The Director of Finance is responsible for advising the Council / Authorised Senior Officers on all taxation issues that affect the Council.
- 17.2 Each Senior Officer must ensure taxation is treated correctly and consult with the Director of Finance in the event of any uncertainty as to any taxation treatment (this includes compliance with IR35 regulations where interim staff are engaged). Should an error in taxation occur due to the failure of a Head of Service to follow an appropriate procedure then there shall be a charge against that Services budget.
- 17.3 The Director of Finance will maintain the Council's tax records, make all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate, as well as lead and co-ordinate discussion or negotiations with His Majesty's Revenue and Customs about any taxation matter.

## **18. GIFTS AND HOSPITALITY**

- 18.1 A separate Code of Conduct is available which sets out how officers and members should deal with issues such as receipt of personal gifts and offers of hospitality. All officers and members need to be aware of the requirements of the Code and ensure they are followed. All gifts and offers of hospitality over £25 need to be registered with the Director of Legal Services.

## **19. UNOFFICIAL AND VOLUNTARY FUNDS**

- 19.1 These regulations relate to funds administered by officers of the Council, the accounts of which are not included in the Authority's accounts.
- 19.2 Any proposed unofficial funds require the prior approval of the Senior Officer concerned who must maintain a record of all such funds and ensure that officers are appointed to administer each fund.
- 19.3 A separate bank account must be maintained for each fund (in the name of the fund) and fund monies must be kept separate from Council monies.
- 19.4 Senior Officers must ensure that they receive a copy of the accounts of each fund and a certificate in the prescribed form from the auditors or independent examiners of each fund that has to be audited or independently examined. Such accounts are to be prepared annually, and at the completion of the purpose for which the fund was set up.
- 19.5 The Director of Finance is to have access to any records relating to such funds and be immediately informed of any irregularities which arise in connection with them.

## **20. FINANCIAL CONTROL OF WHOLLY OWNED COMPANIES, PARTNERSHIPS, JOINT VENTURES, ASSOCIATED ORGANISATIONS AND SIMILAR ARRANGEMENTS**

### **Working in Partnership with Associated Organisations**

- 20.1 The Director of Finance is responsible for oversight of standards of financial administration in wholly owned companies and partnerships that apply throughout the Council, or advising the Cabinet/ Audit Committee or Scrutiny Board where he/she is aware that arrangements within a partnership are in conflict or are unclear compared with the practices adopted by the Council.
- 20.2 The Director of Finance must ensure that the accounting arrangements to be adopted relating to wholly owned companies, partnerships and joint ventures are satisfactory, and must:

- (a) consider the overall corporate governance arrangements and legal issues when arranging contracts with the wholly owned company/partner/joint venture or associated organisation;
  - (b) ensure that the risks have been fully appraised before agreements are entered into with the wholly owned company/partner/joint venture or associated organisation;
  - (c) approve the appointment of the external auditor;
  - (d) arrange for the accounts to be prepared by an appropriate professional;
  - (e) agree the financial ledger to be used by the organisation.
  - (f) Approve the Scrutiny arrangements for grant programmes in line with Central Government guidance including compliance with government procurement requirements.
- 20.3 Senior Officers must ensure that in all grant agreements, contribution to partnerships and where appropriate in agreed contracts for the supply of works, goods and services, the Director of Finance has access to the accounts, records and all other documentation, and is entitled to seek explanations from Officers of the funded organisation regarding the deployment of the Council's funding payment.

#### **Working for Other Organisations**

- 20.4 Senior Officers are responsible for ensuring that approval is obtained from the Director of Finance and Director of Legal Services before any negotiations commence in relation to the provision of works or services to other organisations expected to exceed £10,000.
- 20.5 The Cabinet is responsible for approving the contractual arrangements for any work for other organisations expected to exceed £100,000. The Director of Finance may agree contractual arrangements below this level.
- 20.6 Senior Officers must ensure that any proposed arrangement to work for other organisations does not impact adversely upon the Services provided to or by the Council. All agreements, contracts or arrangements must be properly documented, and appropriate information must be provided to the Director of Finance to enable a note to be entered into the Council Statement of Accounts concerning material items.

#### **Grants and Loans to Other Organisations**

- 20.7 Where a Senior Officers proposes to offer a loan to any organisation in excess of £10,000, he/she may do so only following:
- (a) a full financial appraisal of the organisation to which the loan is to be granted, by the Director of Finance;

- (b) a full financial appraisal of the project to which the loan relates, by the Director of Finance;
  - (c) the execution of a legal agreement approved by the Director of Legal Services;
  - (d) if it is in accordance with the agreed Council procedures on loans to third party organisations.
- 20.8 Loans including those where the cumulative value exceed £400,000 as per the loans policy must be approved by Cabinet
- 20.9 Where a Senior Officers proposes to offer any grant in excess of £10,000, he/she may do so only:
- (a) where this accords wholly within the approved grants policy of the Council;
  - (b) following a full financial appraisal by the Director of Finance of the accounts of the organisation and an analysis of the necessity or otherwise of the funding proposal to be made and on the execution of a legal agreement approved by the Director of Legal Services; or
  - (c) in accordance with agreed Council procedure on grant support to third party organisations.
- 20.10 Grants in excess of £250,000 must be approved by Cabinet.

## **21. WORKFORCE**

- 21.1 The Head of Paid Service is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration for a job.
- 21.2 Authorised Senior Officers are responsible for controlling total numbers in the workforce and its cost by:
- advising the Director of Finance on the budget necessary in any given year to cover the workforce levels previously approved by Authorised Senior Officers,
  - adjusting the workforce to levels that can be funded within approved budget provision, varying the numbers provided (though not the remuneration, or levels of remuneration for the specific categories of the workforce) as necessary, within that constraint, in order to fulfil operational needs;

- using the proper use of appointment procedures;
- ensuring an establishment list which includes job titles, names and contact details is prepared and maintained for their Directorate.

## **22. MONEY LAUNDERING**

- 22.1 The legislation concerning money laundering impacts on local authorities. Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions of money laundering activity to the Chief Internal Auditor (as the Council's nominated Money Laundering Reporting Officer).
- 22.2 All staff should have regard to the Council's Anti-Money Laundering Policy and supporting Guidance. A member of staff should, in line with the Policy and Guidance, report any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, and member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Reporting Officer.

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## Report to Audit Committee

# Amendments to Contract Procedure Rules and Proposed Future Revisions

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance

**Contact:** [anne.ryans@oldham.gov.uk](mailto:anne.ryans@oldham.gov.uk)

**20 July 2023**

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### Reason for Decision

There is a requirement to review the Contract Procedure Rules (CPRs) on a regular basis. Such a review has recently concluded and the consequent revised CPRs were presented to Council and approved on 12 July 2023.

After a further review the Director of Finance is recommending some further revisions as detailed in this report. If the Audit Committee is content to accept the revisions, the CPRs will then be presented to Council for formal approval at a future date.

The Audit Committee's Terms of Reference state that:

**4.4.2 The Audit Committee shall:**

**b) review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedures.**

### Executive Summary

Over the past few weeks, a detailed review of CPRs has been undertaken by officers from the Procurement, Legal, Finance, and the Internal Audit Teams. This has resulted in a range of proposed changes to improve the CPRs which were agreed so that they reflect the current operating arrangements of the Council and current best practice.

Whilst it would be possible to update the existing CPRs again next year it is considered sensible to consider a further small number of revisions which are detailed in this report.

### **Recommendations**

That the Audit Committee:

- a) Notes the CPRs agreed at full Council at Appendix 1.
- b) Endorses the proposed revisions to the Contract Procedure Rules and commends the document attached at Appendix 2 to a future meeting of the Council for formal approval.

**1 Background**

- 1.1 Members will be aware that there is a requirement to review and as necessary, revise the Contract Procedure Rules (CPRs) on a regular basis. In this regard a review has been undertaken by officers of the Procurement, Legal, Finance and Internal Audit Teams to ensure that the CPRs reflect current best practice.
- 1.2 Attached as an Appendix 1 is a document that shows the agreed CPRs as per Council on 12 July 2023. Attached as Appendix 2 are 4 further revisions following a further review by Finance and Internal Audit.

**2 Current Position**

- 2.1 Over the past few weeks a detailed review of CPRs has been undertaken by officers from the Procurement, Legal, Finance and Internal Audit Teams. This has resulted in changes agreed at Council on 12 July 2023.
- 2.2 The further revisions recommended are:
- a) Amendment to wording to better reflect the use of Frameworks Agreements for entering into contractual arrangements for the procurement of goods and services for the Council. These changes are at:
    - Paragraph 8.1.1(c)
    - Paragraph 8.1.2
    - Paragraph 8.1.4
  - b) Paragraph 14.1 to reflect the fact that Unity remains a live entity and the inclusion in CPRs gives the Council flexibility if an unspecified future use of the Company is required.

**3 Options/Alternatives**

- 3.1 There are three options as follows:
- a) Accept the proposed changes to CPRs.
  - b) Reject some or all of the changes to CPRs
  - c) Propose alternative revisions to CPRs

**4 Preferred Option**

- 4.1 Option (a) at 3.1 is the preferred option, that the proposed changes to FPRs are accepted.

**5 Consultation**

- 5.1 There has been internal Council consultation on the revision to FPRs with officers from the Finance and Internal Audit Teams.

**6 Financial Implications**

- 6.1 There are no specific financial implications arising from this report.

## **7 Legal Services Comments**

7.1 There are no direct legal implications arising from the report.

## **8 Co-operative Agenda**

8.1 The CPRs have been prepared to support the Council in its delivery of the cooperative agenda.

## **9 Human Resources Comments**

9.1 There are no specific human resources implications.

## **10 Risk Assessments**

10.1 The Council is required to review its CPRs on a regular basis to ensure that they reflect current best practice and revised working arrangements within the Council as well as regulatory and legislative changes. This update removes the risk that any activities undertaken have relied on outdated CPRs.

## **11 IT Implications**

11.1 There are no specific IT implications.

## **12 Property Implications**

12.1 There are no specific property implications.

## **13 Procurement Implications**

13.1 There are no specific procurement implications.

## **14 Environmental and Health & Safety Implications**

14.1 There are no specific Environmental and Health & Safety Implications.

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

15.1 There are no specific equality, community cohesion and crime implications.

## **16 Equality Impact Assessment Completed?**

16.1 N/A.

## **17 Key Decision**

17.1 No.

## **18 Key Decision 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 contained in Appendices 1 and 2  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

## **20 Appendices**

- 20.1 Appendix 1: Contract Procedure Rules agreed at Council on 12 July 2023  
20.2 Appendix 2: Contract Procedure Rules – Revised Version

APPENDIX 1

Contract Procedure Rules

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**Note: All references to Council posts in these Contract Procedure Rules shall be read as a reference to the equivalent post at the relevant point in time**

## **1. APPLICATION/COMPLIANCE WITH CONTRACT PROCEDURE RULES**

- 1.1 These Contract Procedure Rules are made under Section 135 of the Local Government Act 1972 and apply to all Contracts and Call-Off Contracts for the procurement of Supplies, Works, Services or Concessions made in the name of the Council. Where in these Rules “the Council” is referred to, the term shall include the reference to School Governing Bodies by virtue of the Scheme for Financing Schools, to the Council in its roles as charitable trustee and to the Unity Partnership Limited and the Miocare Group and any other Contracting Authority owned in whole or in part by the Council.
- 1.2 For the avoidance of doubt, in instances of pooled funds arrangements made under section 75 of the National Health Service Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 the lead commissioning organisation’s rules will take precedence.
- 1.3 Every Contract entered into by the Council shall be entered into pursuant to or in connection with the Council’s functions and shall comply with:
  - 1.3.1 all relevant statutory legislation and provisions and in particular the Procurement Regulations and any relevant case law;
  - 1.3.2 the Council’s Constitution including these Contract Procedure Rules, the Council’s Financial Procedure Rules and the Officer and the Executive Member Scheme of Delegation; and
  - 1.3.3 the Council’s strategic objectives and policies including, amongst others, the Corporate Plan.
- 1.4 These Contract Procedure Rules apply to all Contracts awarded by the Council for Supplies, Works, Services or in respect of Concessions, regardless of the source of funding for the Contract. They apply to procurement by any form, including by way of a Council purchase order by any other form of Contract awarded by any person, firm or body on the Council’s behalf.
- 1.5 No Contract shall be entered into unless those officers specified in the Scheme of Delegation at Part 3 of the Council’s Constitution with budget responsibilities are satisfied that there is adequate budget provision and all necessary consents to the expenditure have been obtained.
- 1.6 Where a Contract involves the making of a Key Decision as defined in Part 2, Article 14.3.2 -14.3.3 of the Constitution, those relevant officers specified in the Scheme of Delegation at Part 3 of the Council’s Constitution shall ensure that the Director of Legal Services and the Director of Finance are consulted throughout the procurement or commissioning process.
- 1.7 It shall be a condition of any Contract between the Council and any persons (not being Officers of the Council) who are required to supervise a Contract on the Council’s behalf, that in relation to such Contract, those persons shall comply with the requirements of these Contract Procedure Rules as if they were Officers of the Council.
- 1.8 These Contract Procedure Rules shall not apply to:
  - 1.8.1 Contracts of employment.

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- 1.8.2 Contracts for direct payments or for personal social or health care or educational need where neither a quotation or tender procedure are, in the opinion of the Deputy Chief Executive, or Managing Director (following consultation with Director of Legal Services) viable methods of procurement in the circumstances.
  - 1.8.3 Contracts for the purchase or sale of land or securities, or Contracts for the taking or granting of any interest in land, unless such Contracts involve details of the Council's specific requirements which would amount to a Works contract and must be procured in accordance with these Rules.
  - 1.8.4 Contracts for supplies to be purchased at auction and where the Director of Finance has agreed in writing that the Council's interests will best be served by purchase through auction and has similarly agreed an upper limit for bids.
  - 1.8.5 Contracts for the use of counsel or other legal representation where the Director of Legal Services considers that a Procurement exercise would not protect or support the Council's interests. All contracts for the use of counsel or other legal representation must be commissioned and/or approved by The Director of Legal Services.
  - 1.8.6 Contracts for works of art or theatre, which are genuinely exclusive.
  - 1.8.7 Contracts commissioned by another Contracting Authority as lead authority in accordance with their own contract procedures and Procurement Legislation provided the Commercial Procurement Unit (in consultation with Legal Services) is satisfied that the Contracts have been compliantly procured.
  - 1.8.8 A Call-Off Contract made by the Council or a lead Contracting Authority on behalf of the Council under a legally compliant Framework Agreement where the Council is a named Contracting Authority provided the Commercial Procurement Unit (in consultation with Legal Services) is satisfied that the Call-Off Contract has been compliantly procured (see Rule 8).
  - 1.8.9 The sale or provision of Supplies, Works or Services delivered by the Council as traded services.
  - 1.9 Save for Rule 14.1 and Rule 14.8 and Rule 14.12, these Contract Procedure Rules shall not apply to Grant funding received by the Council and Grant funding distributed by the Council provided always that this exclusion does not apply to the procurement of Supplies, Works or Services using Grant funding received by the Council..
  - 1.10 Any failure to comply with any of the provisions of these Contract Procedure Rules shall be reported to the Head of Commercial Procurement Unit who will refer the matter to the Director of Legal Services or the Director of Finance, as appropriate and the officer. A breach of these Rules may result in disciplinary action.
  - 1.11 The relevant officer referenced in Rule 1.10 shall, where appropriate, take immediate action in the event of a failure to inform the appropriate Director who will consider and determine the appropriate action.
  - 1.12 Any dispute regarding the application of these Contract Procedure Rules shall be referred to the Directors of Finance and Legal Services for advice.
  - 1.13 The final arbiter for resolution of disputes regarding the application or interpretation of these Contract Procedure Rules shall be the Director of Legal Services whose decision shall be binding and final.



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- 1.14 Persistent breach of the Contract Procedure Rules will also be reported to the Audit Committee.
- 1.15 These Contract Procedure Rules make provision for the overriding Procurement Regulations. It is anticipated that the Procurement Regulations will be amalgamated and replaced with new legislation which governs the way in which Contracts that have a Contract Value in excess of the prescribed thresholds are procured. It is also anticipated that the Provider Selection Regime (PSR), which will be a set of new rules for arranging healthcare services in England (but not the procurement of goods or non-healthcare services) will also be implemented. In the event that new legislation or rules are imposed, the definition of the Procurement Regulations shall be deemed to be modified to refer to the replacement legislation and rules and any procedures within these Contract Procedure Rules which comply with the Procurement Regulations as currently in force shall be deemed to be modified to refer to the replacement rules and procedures.

## **2. COMMISSIONING AND PROCUREMENT PLANNING**

- 2.1 Prior to the start of each financial year, the Council shall create a strategic procurement forward plan in consultation with the Head of the Commercial Procurement Unit and members of the Legal Services team setting out its current Contracts and any Works, Supplies or Services to be procured for the forthcoming financial year. The procurement pipeline should be refreshed at intervals as the need arises. The coordination and updating of this plan will be the responsibility of the Commercial Procurement Unit. The strategic procurement forward plan will be published on the Oldham Council website.
- 2.2 The Council shall, where appropriate, make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in accordance with Section 3 Local Government Act 1999 ("Best Value"). This includes where appropriate, consultation with representative groups of payers of Council Tax and Business Rates stakeholder(s) and any other relevant interested groups prior to commissioning services.
- 2.3 The Council shall consider its obligations under the Public Services (Social Value) Act 2012 and have regard to economic, social and environmental well-being in connection with public services contracts and for connected purposes in its planning and commissioning processes.
- 2.4 The Council shall, where appropriate, consider its obligations with regard to data protection under the UK General Data Protection Regulation and the Data Protection Act 2018 as amended from time to time and in particular its responsibilities and that of the Contractor in relation to the processing of personal data through the outsourcing of its services, including specifying the conditions for processing and retaining personal data.
- 2.5 The Council shall, where appropriate, ensure that any collaborative arrangements/agreements with other public bodies to procure Supplies, Works or Services comply with the Procurement Regulations and ensure value for money and that the Council's interests are fully protected.
- 2.6 As permitted by the Procurement Regulations, soft market testing may be undertaken provided it does not distort competition and is transparent and non-discriminatory.
- 2.7 Where an organisation has been involved at a pre-procurement stage (whether in soft market testing or otherwise, e.g., incumbents), the Council must ensure fairness, transparency and equal treatment when the tender process starts such as making certain information available to all Tenderers that has previously been made available at a pre-procurement stage.

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2.8 The Contract Owner is responsible for the full commissioning cycle including contract management and must ensure the Council enters into a legally binding Contract with the Contractor prior to the provision of the Supplies, Works or Services. The Contract Owner must ensure that the Contract is correctly executed and completed and then lodged with the Commercial Procurement Unit where the value of the Contract is £10,000 and over.

### **3. CALCULATION OF CONTRACT VALUE**

3.1 The estimated value of a Contract shall be the total consideration payable, including Value Added Tax (where applicable), which the Council expects to be payable under the Contract and shall be calculated in accordance with Rule 3.2 below.

3.2 The total Contract Value shall be calculated as follows:

3.2.1 Where the Contract is for a fixed period, by taking the total price to be paid during the lifetime of the Contract or the price which might be paid during the whole of the period including any permitted extension.

3.2.2 Where the term of a Contract is indefinite or uncertain, by taking the monthly price payable under the Contract multiplied by 48.

3.2.3 In relation to a compliant Framework Agreement with no guaranteed commitment, the Contract Value will be the estimated value of the required Supplies, Works or Services over the full duration of the Framework Agreement.

3.3 Under the Procurement Regulations, Contracting Authorities may divide tender opportunities into smaller lots to encourage small and medium sized business enterprises to submit bids and must provide reasons for not doing so. The cumulative value of the individual lots will form the total Contract Value. If the Council chooses not to divide tender opportunities into smaller lots, it will record a reason for not doing so, and this record will be held by the Commercial Procurement Unit.

3.4 A Contract Value shall not be artificially under or overestimated or divided into two or more separate Contracts where the purpose is to avoid the application of these Contract Procedure Rules.

### **4. PROCUREMENT PROCEDURES**

4.1 Where an existing Contract or in-house service is available to meet the Council's specific procurement requirements and offers value for money it should be used unless there are particular circumstances which justify an alternative route to market.

4.2 An E-auction process may form part of the overall tender process and shall be used in conjunction with the relevant procedures. The Contract Notice or advertisement and the Invitation to Tender / Quote documentation shall state that an E-auction will form part of the process.

4.3 If Rule 4.1 does not apply, the Council must comply with the procurement table below, which sets out the required procedure for different Contract Values, the minimum number of offers that must be invited and how invitations to submit offers must be publicised.

<b>Contract Value</b>	<b>Procurement Activity</b>	<b>Instructions</b>	<b>Minimum Requirement for Advertising the Opportunity</b>
<b>Less than £10,000 for Supplies, Works and Services</b>	1 Written Quotation.	Service Area to obtain at least 1 written Quotation in accordance with Rule 5.1 below. Local Supply Chains and SMEs to be considered where practical.	N/A
<b>Between £10,000 and £24,999 for Supplies, Works and Services</b>	Approach a minimum of 3 organisations for a written Quotation.	Service Area to contact the Commercial Procurement Unit who will conduct an appropriate procurement procedure and facilitate the process using the Council's E-Procurement System (The Chest). Local Supply Chains and SMEs to be considered – at least 1 local Contractor (where practical) to be included.	The Chest
<b>Between £25,000 and £99,999 for Supplies, Works and Services</b>	Open Request for Quotations	Service Area to contact the Commercial Procurement Unit who will conduct an appropriate quotation procedure and facilitate the process using the Council's E-Procurement System (The Chest). Local Supply Chains and SMEs to be considered.	The Chest Contracts Finder
<b>Between £100,000 and Procurement Regulations threshold for Supplies, Works and Services or Concessions</b>	Formal Open Tender Process	Service Area to contact the Commercial Procurement Unit who will conduct an appropriate procurement procedure in accordance with these Contract Procedure Rules and facilitate the process using the Council's E-Procurement System (The Chest).	The Chest Contracts Finder
<b>Procurement Regulations threshold and above for Supplies, Works and/or</b>	Full Procurement Regulations compliant Procedure	Service Area to contact the Commercial Procurement Unit who will conduct an appropriate procurement procedure, in compliance with the Procurement Regulations, and follow and facilitate the process using the Council's E-Procurement System (The Chest) and	Open advert mandated in Find a Tender Service and Contracts Finder

<b>Services or Concessions</b>		Contracts Finder.	
<b>Call-Off Contracts of any value</b>	Procedure governed by the overarching Framework Agreement	Service Area to contact the Commercial Procurement Unit who will advise on the available procedures and, where appropriate, conduct a mini competition in compliance with the relevant Framework Agreement using the Council's E-Procurement System (The Chest) where possible.	The Chest or via the Framework Agreement holder's system

4.4 The rules relating to the required process and timescales shall be observed for all Contracts as shall the principles of the Procurement Regulations. The procurement process needs to be conducted in accordance with the principles of equal treatment, non-discrimination, transparency, mutual recognition, proportionality, competition, the protection of legitimate expectations, the requirement to act without manifest error and good administration – which underpin the Procurement Regulations.

## 5. QUOTATION PROCESS

5.1 Full written Quotation(s) below £10,000 shall be obtained from Contractor(s) pursuant to the procedure set out in the table in Rule 4.3 before a formal Contract can be issued. A formal Contract shall be issued after receipt of the Quotation(s) and shall specify the Supplies, Works or Services to be provided or the Concession to be granted, set out the price and terms of payment and incorporate the Council's relevant terms and conditions of contract unless approval from the Commercial Procurement Unit (in consultation with Legal Services) is given to use alternative terms and conditions.

5.2 Requests for Quotations of £10,000 or above for Supplies, Works and Services or a Concession must be advertised on the Council's E-procurement system (The Chest) and any Requests for Quotations of £25,000 and above must also be advertised on Contracts Finder.

5.3 At least one local Contractor should be included in each Request for Quotation, where possible.

5.4 The standard Council templates for Quotations shall be utilised for all Procurement activity and these are held by the Commercial Procurement Unit.

5.5 All Quotation(s) sought shall be recorded in writing for audit purposes via the Council's E-procurement system (The Chest).

## 6. TENDER PROCESS – Below Public Contracts Regulations Thresholds

6.1 All Procurement opportunities should be advertised via the Council's e-procurement system (The Chest) and Contracts Finder (See table Rule 4.3). The Invitation to Tender should include all of the information listed in Rule 9.2 below.

6.2. Any Procurement opportunity advertised shall:

6.2.1 specify the terms and conditions which will apply;

6.2.2 invite persons or bodies to express an interest in tendering;

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- 6.2.3 specify a date or time limit, being not less than 14 days within which such Tenders are to be submitted.

## **7. TENDER PROCESS – Above the Procurement Regulations Thresholds**

7.1 Where an estimated Contract Value exceeds the current Procurement Regulations' Thresholds, the Contract shall be tendered in accordance with the Procurement Regulations. Under the Public Contract Regulations 2015, the Contract may largely be Tendered under Open, Competitive Dialogue, Competitive Procedure with Negotiation or Innovation Partnerships Procedure. Under the provisions relating to Social and Other Specific Services within the Public Contract Regulations 2015 and under the Concession Contracts Regulations 2016 the Council shall have more freedom to organise the procedure, subject to compliance with the relevant Regulations

7.2 A Contract Notice in the prescribed form must be published in Find a Tender and Contracts Finder in order to invite Tenders..

7.3 All Find a Tender and Contracts Finder notices shall be published by the Commercial Procurement Unit.

### **7.4 Competitive Procedures**

7.4.1 A Competitive Dialogue procedure or Competitive Procedure with Negotiation may be beneficial in circumstances where greater flexibility is needed, e.g., for highly complex and risky projects where Tenderers will have a major role in defining the solution or where an Open Procedure may not deliver the expected outcomes.

7.4.2 A Competitive Dialogue procedure or a Competitive Procedure with Negotiation allows the Council to negotiate proposed solutions with Tenderers to achieve a desired outcome.

7.4.3 The Council must publish the minimum requirements, the award criteria and their weightings, which should not be changed during the negotiation process. During the dialogue, the Council must ensure the equal treatment of all participants and must not provide information in a discriminatory manner which may give any participant an advantage over others.

7.4.4 Advice from the Commercial Procurement Unit, in consultation with Legal Services, must be sought prior to embarking upon a Competitive Dialogue Process or a Competitive Procedure with Negotiation.

### **7.5 Concession Contract**

A Concession governed by The Concession Contracts Regulations 2016 must be advertised in accordance with those Regulations and the value of the concession must be calculated in accordance with Regulation 8. There are certain procedural guarantees which must be met; award criteria must be published in descending order of importance and the tender evaluation made in accordance with them; minimum time limits for the receipt of tenders and the mandatory and discretionary exclusion criteria must be applied. A Find a Tender / Contracts Finder notice must be published for over threshold tenders.

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## **8 COMPLIANT FRAMEWORK AGREEMENTS**

### **8.1 CALL-OFF CONTRACTS**

8.1.1 Where an appropriate compliant Framework Agreement is recommended by the Commercial Procurement Unit, that has been established by a consortium, collaboration, the Council or other public body, the Council may consider using this compliant Framework Agreement to place an order (Call-Off) if:

- (a) the Framework Agreement has been established by an entity, and via a process, which permits the Council to access those arrangements lawfully;
- (b) the Council is a named Contracting Authority in the original advertisement.

8.1.2 Before undertaking a Call-Off under any compliant Framework Agreement, thorough due diligence should be undertaken and advice sought from the Commercial Procurement Unit and Legal Services to confirm the following (as a minimum):

- the Council is a named Contracting Authority in the original advertisement,
- the compliant Framework Agreement is in place and binding,
- the compliant Framework Agreement is still valid,
- the estimated Contract Value in respect of the proposed Call-Offs that would be made under the compliant Framework Agreement,
- that the maximum aggregate spend under the Framework Agreement has not been reached,
- that the Call-Off terms and conditions are fit for purpose,
- a copy of any User Guide / any other documentation is available.

8.1.3 Call-Off Contracts must be awarded based on the evaluation criteria identified in the compliant Framework Agreement.

8.1.4 Where the Call-Off is undertaken via a direct award process (which is prescribed in the compliant Framework Agreement), in advance of executing a Call-Off Contract the Contractor must be requested, in writing, to supply confirmation, that is verified by the Council, that it can meet the requirements of the Council in accordance with the relevant terms and conditions and the pricing established in the compliant Framework Agreement..

### **8.2 ESTABLISHING A COMPLIANT FRAMEWORK AGREEMENT**

8.2.1 Where the Council is establishing a compliant Framework Agreement which may be accessed by other named Contracting Authorities, including any subsidiary companies of the Council, the estimated Contract Value that may be contracted for under the compliant Framework Agreement must take account of all potential work that may be put through the agreement (see Rule 4) and follow the procedures set out in these Contract Procedure Rules.

8.2.2 If the Council is establishing a compliant Framework Agreement in accordance with Contract Procedure Rule 8.2.1, reference must be made within the



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procurement documents explaining if the compliant Framework Agreement is intended for a wider use and advice should be sought from Legal Services to ensure the terms upon which other Contracting Authorities access those arrangements are clear and offer appropriate protection to the Council.

- 8.2.3 In establishing a compliant Framework Agreement, the total duration (including any extensions) cannot exceed four years except in exceptional circumstances where this can be duly justified (as required under Public Contract Regulations. Any proposal to establish a compliant Framework Agreement with a duration exceeding four years should be referred to the Commercial Procurement Unit and Legal Services for advice.
- 8.2.4 Where, taking into account the above, the estimated value of the compliant Framework Agreement is above the relevant procurement threshold, the authorised officer must ensure that any other public bodies (Contracting Authorities) intended to be able to access the Framework Agreement are included in Find a Tender or contracts Finder or any official notice either individually or by an identifiable class.
- 8.2.5 In establishing a compliant Framework Agreement, the Council must ensure that the terms of the compliant Framework Agreement make the process clear by which Call-Off Contracts are to be entered into.

## **9. TENDER DOCUMENTATION**

- 9.1 Save where a mini competition is to be carried out under another Contracting Authority's Framework Agreement, the standard Council templates for Tendering shall be utilised for all Procurement activity for Tenders of £10,000 or above.
- 9.2 As a minimum, Tender documents shall include details of the Council's requirements for the particular Contract including, but not limited to:
  - 9.2.1 a description of the Supplies, Works or Services being procured, or Concessions granted now or in the future;
  - 9.2.2 the Procurement timetable including the Tender return date and time, which shall allow a reasonable period (a minimum of 14 days) for applicants to prepare their Tenders to submit electronically;
  - 9.2.3 the timetables prescribed by the Procurement Regulations;
  - 9.2.4 a detailed specification and instructions on whether any variant bids are permissible;
  - 9.2.5 the Council's terms and conditions of Contract (where a compliant Framework Agreement is to be used, the template Call-Off Contract shall be included)
  - 9.2.6 the evaluation criteria to be used, including Social Value and including any weightings as considered appropriate;
  - 9.2.7 payment schedule and terms and instructions for completion;
  - 9.2.8 whether TUPE may apply (if applicable);
  - 9.2.9 the pension arrangements for existing/former Council employees (if applicable);

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- 9.2.10 form and content of method statements to be provided (if applicable);
  - 9.2.11 rules for submitting of Tenders; and
  - 9.2.12 any further information, which will inform or assist Tenderers in preparing Tenders.

## **10. CONTRACT TERMS AND CONDITIONS**

10.1 All written Contracts and Purchase Orders shall include appropriate terms and conditions for Supplies, Works, Services or Concessions (as relevant) or, where a compliant Framework Agreement is used, the applicable Call-Off terms and conditions. The Invitation to Tender or Quotation documentation shall state within the Contract which terms and conditions or Call-Off terms and conditions will apply, and these shall be available via Legal Services. Purchase Orders shall refer to the applicable terms and conditions.

10.2 All written Contracts shall include the Council's minimum requirements for insurance cover namely:

- Public Liability Insurance - £10m
- Employer's Liability Insurance - £5m and
- Professional Indemnity Insurance - £2m (if applicable)

except where a compliant Framework Agreement is used, in which case the levels of cover specified in the compliant Framework Agreement shall apply.

Any departure from the agreed thresholds must be approved by the Assistant Director of Corporate Governance and Strategic Financial Management.

10.3 Any bespoke contractual terms and conditions required shall be confirmed by Legal Services prior to them being issued as part of the Tender process.

10.4 All Contracts shall be documented before the Supplies, Works or Services are provided or Concession arrangements begin and shall include the following, as a minimum:

10.4.1 every Contract shall, as a minimum, unless there is good and sufficient reason to the contrary (or except where a compliant Framework Agreement is used, in which case the compliant Framework Agreement shall apply), require that all Supplies, Works or Services and all workmanship shall, if applicable, be in accordance with the relevant standard or equivalent International standard without prejudice to any higher standard required by the Contract.

10.4.2 a clause empowering the Council to cancel or terminate the Contract if the Contractor offers an inducement or reward in relation to the procurement of any Contract by the Council, to exclude the Contractor from the tender, under mandatory grounds or discretionary grounds for a serious infringement of the Procurement Regulations, and to recover from the Contractor the amount of any loss resulting from such cancellation or termination.

## **11. RECEIPT AND OPENING OF TENDERS**

11.1 Electronic Tenders



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- 11.1.1 Requests for Quotations and Invitations to Tender must be transmitted by electronic means in accordance with the advice of the Head of Commercial Procurement Unit. Quotations and Tenders shall be submitted by electronic means e.g., the E procurement system (The Chest).
  - 11.1.2 Evidence that the transmission was successfully completed is obtained and recorded.
  - 11.1.3 Electronic Tenders are kept in a separate secure folder in The Chest or equivalent system and cannot be opened until the deadline has passed for receipt of Tenders.
  - 11.1.4 A member of the Commercial Procurement Unit, who is not responsible for the procurement exercise, will open all requests for Quotations or bids received under a compliant Framework Agreement with a value in excess of £10,000.

## **12. PRE AND POST TENDER CLARIFICATIONS**

- 12.1 Pre-tender clarifications can be provided to potential or actual Tenderers. All responses should be published on The Chest and communicated to all concerned.
- 12.2 Post tender clarifications may be undertaken with Tenderers provided the Council ensures equal treatment of all participants and specifies and applies a process for post tender clarifications in the Invitation to Tender and ensures that no Tenderer is given an advantage over any other Tenderer. For the sake of clarity, any clarifications on the commercial element of a bid must not change the original price offer. This includes verifying abnormally low bids where specific legal advice is required.
- 12.3 All pre and post tender clarifications must be conducted via The Chest. All communication must be documented and retained on The Chest.
- 12.4 At all times during the clarification process, the Council shall consider and implement the principles of non-discrimination, equal treatment and transparency.
- 12.5 Unless otherwise permitted by the Procurement Regulations, in no circumstances are post award negotiations permitted.

## **13. TENDER EVALUATION**

- 13.1 All Tenders subject to the Public Contracts Regulations 2015 or the Concession Contracts Regulations 2016 shall be evaluated in accordance with the relevant Procurement Regulations and the evaluation criteria set out in the Invitation to Tender. All other Tenders shall be evaluated in accordance with the evaluation criteria set out in the Invitation to Tender.
- 13.2 The procurement lead from within the Commercial Procurement Unit shall ensure that a representative from Finance is involved in the evaluation of tenders and that, where deemed appropriate by the Head of the Commercial Procurement Unit, Legal Services is consulted regarding the evaluation process for procurements in excess of £1 million.
- 13.3 The procurement lead of the evaluation team must ensure that no member of the evaluation team has a conflict of interest and completes the appropriate documentation.
- 13.4 The procurement lead must ensure that each bid is compliant and that the Tenderer is not excluded from bidding under any of the mandatory or discretionary grounds listed in the Procurement Regulations.

- 13.5 The evaluation criteria shall be predetermined and approved by the procurement lead and listed in the Invitation to Tender documentation, in order of importance. In addition, the evaluation criteria shall be strictly observed (and remain unchanged) at all times throughout the award procedure.
- 13.6 All Tenders shall be awarded on the basis of being the “Most Economically Advantageous” unless otherwise agreed with the Commercial Procurement Unit, in consultation with Legal Services.
- 13.7 All Tenders must be evaluated in accordance with the following principles:
- Transparency – there should be no departure from the award criteria
  - Equal treatment - there should be an identical approach to the evaluation of each tender
  - Manifest error – all scores and calculations should be checked to ensure that there is no manifest error.
  - Record keeping – all original records should be kept together with handwritten comments to complete the audit trail.
- 13.8 Tenderers shall be given written feedback regarding their bid in accordance with the Procurement Regulations.

#### 14. AWARDING CONTRACTS AND CALL-OFF CONTRACTS

- 14.1 All Contracts subject to these Contract Procedure Rules shall be awarded in accordance with the published evaluation criteria and in accordance with the Officer and Executive Member Scheme of Delegation in the table below and the decision notice recorded and published on Modern.gov:

<b>Contract Value</b>	<b>Awarded By</b>	<b>Decision Recorded on</b>
<b>Less than £10,000</b>	Authorised Officer (as per Departmental Scheme of Delegation)	Related spend is recorded (Purchase Order) via Finance Management System (Agresso)
<b>Between £10,000 and £99,999</b>	Authorised Officer (as per Departmental Scheme of Delegation)	Related spend is recorded (Purchase Order) via Finance Management System (Agresso),  The Chest, Modern Governance System and Find a Tender/Contracts Finder for Contracts and Call-Off Contracts with a value over £25,000.00.
<b>Between £100,000 and £399,999</b>	Executive Member in consultation with the Deputy Chief Executive, Assistant Chief Executive,	The Chest Modern Governance System and Find a Tender/Contracts Finder and the Key decision document for

	Executive Director for Place and Economic Growth, Managing Directors and Directors (as relevant)	Contracts with a value of £250,000 plus
<b>£400,000 or over</b>	Cabinet or Sub-Committee including Commissioning Partnership Board	The Chest, Modern Governance System, Find a Tender/Contracts Finder  and the Key Decision Document

- 14.2 No Contract or Call-Off Contract may be awarded unless budget release has been obtained in accordance with the Financial Procedure Rules and a Modern Gov report and Decision Notice is published authorising any spend of £25,000 or more confirming that the approved expenditure will be constantly monitored. A copy of the final version of the Modern Gov report must be forwarded to the procurement lead within the Commercial Procurement Unit to upload on The Chest. Spend below £25,000 shall be approved in writing by the Officer with delegated approval.
- 14.3 Where the Tender is not within the relevant approved budget, but additional budgetary provision is available, the Contract may be awarded, with the approval of the Director of Finance having ensured compliance with the Financial Procedure Rules.
- 14.4 Once the decision to award a Contract is made, each Tenderer must be notified in writing of the outcome. All Tenderers must be notified simultaneously and as soon as possible of the intention to award the Contract to the successful Tenderer(s) and this should be done via The Chest. The letters must include a description of the characteristics and relative advantages of the successful Tender.
- 14.5 A Contract award letter will be sent to the successful Tenderer(s) containing all relevant information, including all information prescribed by the Procurement Regulations, where relevant.
- 14.6 A Contract which has a Contract Value above the Procurement Regulations thresholds can only be awarded after a notice of the proposed award has been given to all unsuccessful Tenderers and the 10 day standstill period has elapsed from the day after the date upon which the notice was given. If the 10 days expire on a non-working day, then the notice period will be deemed to have lapsed on the next working day.
- 14.7 A Contract award notice must be published in Find a Tender and on the Council's website no later than 30 days after the date of award of the Contract (48 days in the case of a Concession Contract) where the Contract Value exceeds the Procurement Regulations threshold. A Contract award notice must also be published on Contracts Finder.
- 14.8 Save for Call-Off Contracts for personal social or health care or educational need where the overarching Framework Agreement has been sealed, Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, Deeds of Variation, Deeds of Novation and Deeds of Assignment with a Contract Value of £100,000 or more shall be executed by deed and attested by no less than one authorised sealing officer within Legal Services.
- 14.9 Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign together with Call-Off

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Contracts for personal social or health care or educational need and with a Contract Value of less than £100,000 shall be executed by no less than one officer of the Council with delegated authority to sign a Contract or contractual document under the Council's Officer and Executive Member Scheme of Delegation.

- 14.10 Reasonable endeavours shall be used to ensure that performance of a Contract does not commence before the Contract is executed.
- 14.11 All Contracts over £5,000 shall be published on and embedded in the Council's Contracts Register maintained by the Commercial Procurement Unit.
- 14.12 Where approved by the officer with delegated approval to sign or an authorised sealing officer within Legal Services or the Director of Finance, Contracts and Call-Off Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign with a Contract Value of less than £100,000 may be executed using the electronic signature of an officer of the Council authorised under the Council's Officer and Executive Member Scheme of Delegation or by such authorised officer using an e-signature via appropriate and secure digital signature software.
- 14.13 Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign may be executed by a contractor using an electronic signature or by using an e-signature via appropriate and secure digital signature software.

## **15. FINANCE MANAGEMENT SYSTEM**

- 15.1 The Council's Financial Management System (Agresso), or equivalent, shall be used to process all orders with Contractors. This includes all orders processed after Quotations are received or a Tender process has been undertaken.
- 15.2 To set up a new Contractor, the guidance that is available to all officers (on the intranet) should be followed.

## **16. LIQUIDATED DAMAGES AND RETENTIONS**

- 16.1 The Director of Finance and the Director of Legal Services shall advise as to the appropriate degree of security (if any) required to protect the Council from a Contractor default prior to the invitation to tender. Liquidated damages clauses should always be used in a Contract or Call-Off Contract where appropriate.
- 16.2 A retention sum (appropriate to the circumstances of the Contract) should be written into the terms and conditions of any Contract for Works with a Contract Value of over £50,000, unless the Director of Legal Services agrees to waive the specific requirement.

## **17. MODIFICATIONS**

- 17.1 Subject to Rule 17.2 a Modification of a Contract which is not subject to the Procurement Regulations may be permitted if any of the limited criteria below applies:
- (a) the original tendered Contract or Call-Off Contract contains clauses allowing such Modifications provided that such clauses:
    - (i) list the scope and nature of possible Modifications as well as the conditions under which they may be used, and

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- (ii) do not provide for Modifications that would alter the overall nature of the Contract or the Call-Off Contract;
  - (b) the Modification is for additional Supplies, Works and Services by the original Contractor that have become necessary and were not included in the initial procurement or commissioning exercise, where a change of Contractor:
    - (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and
    - (ii) would cause significant inconvenience or substantial duplication of costs for the Council
  - (c) where all of the following conditions are fulfilled:
    - (i) the need for the Modification has been brought about by circumstances which a diligent Contracting Authority could not have foreseen; and
    - (ii) the Modification does not alter the overall nature of the Contract or Call-Off Contract;
  - (d) where a new Contractor replaces the one to which the Council had initially awarded the Contract or Call-Off Contract as a consequence of:
    - (i) a clause or option in conformity with Rule 17.1(a); or
    - (ii) a takeover of the Contractor following corporate restructuring, including takeover, merger, acquisition or insolvency, by another Economic Operator that fulfils the criteria for qualitative selection initially established, provided that this does not entail any other substantial Modifications to the Contract or Call-Off Contract;
  - (e) provided that the proposed Modification, irrespective of its value, is not substantial within the meaning of Rule 17.2.
- 17.2 A Modification of a Contract or Call-Off Contract during its term shall be considered substantial for the purposes of Rule 17.1 where one or more of the following conditions is met:
- (a) the Modification renders the Contract or Call-Off Contract materially different in character from the one initially concluded;
  - (b) the Modification introduces conditions which, had they been part of the initial procurement procedure, would have:
    - (i) allowed for the admission of other candidates than those initially selected,
    - (ii) allowed for the acceptance of a Tender other than that originally accepted, or
    - (iii) attracted additional participants in the procurement procedure;
  - (c) the Modification changes the economic balance of the Contract or Call-Off Contract in favour of the Contractor in a manner which was not provided for in the initial Contract or Call-Off Contract;

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- (d) the Modification extends the scope of the Contract or Call-Off Contract considerably;
  - (e) a new Contractor replaces the one to which the Council had initially awarded the Contract or Call-Off Contract in cases other than those provided for in Rule 17.1(d)
  - (f) the Modification increases the contract value for Supplies or Services by more than 10% and for Works by 15%.
- 17.3 For the purposes of Rule 17.2, if several successive Modifications are made, the value shall be assessed on the basis of the net cumulative value of the successive Modifications.
- 17.4 A Modification of a Contract which is subject to the Procurement Regulations, shall be governed by the relevant legislation and the procedure in Rule 17.5 below.
- 17.5 Procedure for Modifications
- 17.5.1 a Modern.gov report must be completed which provides full details of the Modification and any supplementary documentation to enable the relevant Decision Maker (see table in Rule 14.1) giving the approval to make a fully informed decision. For the avoidance of doubt, the value of the modification and not the modified value of the Contract shall govern the Decision Maker.
  - 17.5.2 in giving approval, the Decision Maker must take account of any advice given by the Head of the Commercial Procurement Unit and the Director of Legal Services and must ensure that such advice is included in any report to the Decision Maker.
  - 17.5.3 written approval must be obtained to any Modification in accordance with the Council's Officer and Executive Member Scheme of Delegation.
  - 17.5.4 no commitment should be made to a potential Contractor prior to approval.
  - 17.5.5 the Head of the Commercial Procurement Unit is responsible for ensuring that a complete record of all Modifications is kept and a record of the decision approving a Modification and the reasons for it must be stored electronically in Modern.gov and on The Chest.
  - 17.5.6 a notice of the Modification of a Contract under Rules 17.1 (b) and (c) with a value over the relevant procurement threshold shall, where required, be published in the Find a Tender in accordance with the Procurement Regulations.

## **18. TERMINATION OF CONTRACTS**

- 18.1 Prior to any action being taken, the Director of Legal Services shall be consulted with regard to any proposed termination of any Contract or Call-Off Contracts.

## **19. CLAIMS ARISING FROM CONTRACTS**

- 19.1 Officers shall inform the Head of the Commercial Procurement Unit immediately of any claims (or anticipated claims) by or against a Contractor that are the subject of a dispute between the Council and the Contractor, and the Head of the Commercial Procurement Unit shall inform and consult with the Director of Legal Services to agree a course of action.
- 19.2 Claims arising in respect of matters not clearly within the terms of any existing Contract shall be determined by the Deputy Chief Executive, the Assistant Chief Executive, a

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Managing Director or a Director (as appropriate) after having taken the advice of the Director of Legal Services and the Director of Finance.

- 19.3 Where completion of the supply of Works, Supplies or Services under a Contract are likely to be delayed, resulting in claims under the Contract, Officers shall inform the Head of the Commercial Procurement Unit immediately, and the Head of the Commercial Procurement Unit shall inform and consult with the Director of Legal Services to agree a course of action.

## **20. MONITORING CONTRACTS AND CALL-OFF CONTRACTS**

- 20.1 All Contracts must have a Contract Owner.
- 20.2 The Contract Owner will be responsible for the whole of the commissioning, cycle including completing the governance and legal formalities, reviewing, monitoring and evaluating the Contract to ensure that its provisions and the Supplies, Works or Services or (or Concession) within it are being followed and performed as they should be. The Contract Owner shall understand the Specification, contractual terms and the performance framework and must manage activity ensuring that Contracts do not require any extensions beyond the permitted or planned expiry.
- 20.3 During the life of the Contract, the Contract Owner will monitor the Contract in respect to the following, as a minimum:
- (a) performance (against agreed KPIs where relevant) ensuring that where performance falls below expected standards this is managed promptly;
  - (b) compliance with the Specification and the terms and conditions of Contract;
  - (c) cost, ensuring that there are no unanticipated variations in price or spend;
  - (d) any Social Value requirements;
  - (e) risk Management ensuring risks associated with the Contract are identified and managed and any risk registers are kept up to date;
  - (f) safeguarding where appropriate; and
  - (g) user satisfaction.
- 20.4 The final certificate for payment for any Contract for the delivery of Works shall not be paid until the Contract Owner has performed a reconciliation of all Works completed against the approved costs of the scheme.
- 20.5 Where any sum or damages is payable to the Council as a result of the default of a Contractor, for example where completion of Works is delayed beyond the contractual completion date, it shall be the duty of the Contract Owner to claim whatever liquidated or other damages may be due under the terms of the Contract and no waiver of such sum or damages may be given without the approval of the Director of Legal Services and the Director of Finance.
- 20.6 Where a Contractor is in breach of its performance of a Contract, a default notice should be issued under the terms and conditions of the Contract to enable the Council to exercise its discretion to claim damages and/or terminate the Contract and exclude the Tenderer from any future tender process.



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- 20.7 Where the Contract is to be re-let, any information gathered by the Contract Owner shall be available to inform the approach to re-letting the next Contract.
- 20.8 The Contract Owner shall provide advice and support, as required, on good practice in performance management of Contracts.
- 20.9 All Contracts with a value in excess of £5,000 must be included and published on the Contracts Register maintained by the Commercial Procurement Unit in line with the Local Government Transparency Code 2015. This is a mandatory requirement and it is the responsibility of the commissioning officers to inform the Commercial Procurement Unit.

## **21. EXEMPTION FROM THE CONTRACT PROCEDURE RULES**

- 21.1 These Rules are mandatory but, in limited circumstances, it may be necessary to seek an Exemption from these Rules. Guidance from the Commercial Procurement Unit must be sought before any Procurement activity commences for which an Exemption may be required.
- 21.2 An Exemption cannot be given where this would contravene the Procurement Regulations or any other legislation.
- 21.3 Exemptions will only be considered in exceptional circumstances, including but not limited to:
- (a) Proprietary or patented Supplies or Services are proposed to be purchased which are only obtainable from one entity and it can be demonstrated that no reasonably satisfactory alternative to those proprietary or patented Supplies or Services is available;
  - (b) No genuine competition can be obtained in respect of the purchase of particular Supplies, Services or execution of Works;
  - (c) The Services or execution of Works are of such a specialist nature that they can only be carried out by one entity (e.g., statutory undertakers);
  - (d) Supplies are proposed to be purchased by or on behalf of the Council at a public auction;
  - (e) Supplies or Services are proposed to be purchased which are of a specialist or unique nature (such as a particular performance artist or antiquities for museums);
  - (f) Repairs or parts if the only option is to repair or buy new parts for existing Supplies, equipment or buildings, and there is only one Contractor;
  - (g) To comply with a change in legal requirements;
  - (h) The Contract is for Supplies, Services or the execution of Works which are required in circumstances of extreme urgency, for example, where immediate repairs are required to buildings, structures and other assets damaged by fire, bad weather or vandalism;
  - (i) The provision of Supplies, Works or Services is urgently required because of the failure of a Contractor through unsatisfactory performance or the appointment of an administrator, receiver or liquidator to administer its affairs. The Contract should be re-let at the earliest opportunity in compliance with these Rules;



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- (j) Where continued provision of Supplies, Works or Services is required for an additional period and this can be justified, for example where a service review includes the intention to co-terminate relevant Contracts within a reasonable period

with all exceptional circumstances to be objectively evidenced in the exemption request to enable the decision maker to reach an informed and reasonable decision in the circumstances.

#### 21.4 Procedure for Exemptions over £10,000

21.4.1 To request an exemption from these Contract Procedure Rules, a Modern.gov report must be completed seeking approval for the exemption and authorisation for any expenditure. It must be signed only by those authorised to award a Contract under Rule 14.1.

21.4.2 An exemption request can be authorised by the Deputy Chief Executive, the Assistant Chief Executive, the Executive Director or a Managing Director who does not have direct line management responsibility for the service.

21.4.3 The Modern.gov report must provide full details of the request and any supplementary documentation to support the request and evidence the specific ground for the exemption.

21.4.4 No commitment should be made to a potential Contractor prior to authorisation.

21.4.5 The Head of the Commercial Procurement Unit is responsible for ensuring that a complete record of all Exemptions is maintained. A copy of the signed delegated/Cabinet decision approving an Exemption and the reasons for it must be forwarded to the Commercial Procurement lead.

21.4.6 In circumstances of extreme urgency, the relevant decision maker utilising Rule 21.3 (h) or (i) above may authorise an Exemption in writing without the need to complete a Modern.gov report. As soon as practicable a Modern.gov report must be submitted and approved in accordance with this Rule.

21.4.7 The written authorisation must be provided in accordance with this Rule 21.4 and must be stored electronically on The Chest.

21.5 All Exemptions reports require comments from the Assistant Director of Corporate Governance and Strategic Financial Management.

21.6 A direct award of a Contract following an exemption should comply in all other respects with the Council's Contract Procedure Rules and the Council's terms and conditions of contract should be used where possible.

21.7 The Council cannot use an exemption to depart from the Procurement Regulations and a Voluntary Transparency Notice may be required to inform the market of a direct award.

21.8 Where an Exemption is granted, the Contract shall still be made subject to the Council's standard terms and conditions where possible and in accordance with any relevant requirements detailed in Rule 10.1. Any amendments required to the Council's standard terms and conditions shall be approved by Legal Services prior to issuing as part of the procurement process. Legal Services will review and draft the terms and conditions for any bespoke contracts.

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## **22. DECLARATIONS OF INTEREST and ANTI-BRIBERY and CORRUPTION**

- 22.1 The Council's reputation with regards to Procurement activity is important and should be safeguarded from any imputation of dishonesty or corruption. All elected Members of the Council and Officers are reminded of their responsibilities in relation to gifts, hospitality and any conflicts of interest and should ensure that they comply with the obligations set out in the Council's Members' Code of Conduct and the Officers' Code of Conduct respectively and any other relevant policies, guidance or strategies relating to bribery, fraud and corruption issued or endorsed by the Council from time to time.
- 22.2 Any Officer or Member must declare any interest which could influence their judgement in relation to Procurement activity in accordance with the Council's Codes of Conduct.
- 22.3 No gifts or hospitality should be accepted from any Tenderers involved in Procurement activity except in accordance with the Council's Codes of Conduct. Relevant interests, gifts and hospitality should be registered on the Council's e-register.

## **23. DEFINITIONS**

- 23.1 Within the Contract Procedure Rules, the following definitions are used:
- 23.1.1 "Call-Off Contract" means a Contract which is entered into under a Framework Agreement in accordance with the terms and conditions of that Framework Agreement
- 23.1.2 "Concession" means a Contract under which a Contracting Authority outsources Supplies, Services or Works to a contractor or provider, who then has the right to commercially exploit those Supplies, Services or Works in order to recoup its investment and make a return on the proviso that the contractor or provider bears the operating risk and has no guarantee of recouping its investment or operating costs
- 23.1.3 "Contract" means an agreement in writing for consideration (money or money's worth) between the Council and a Contractor for the provision of Supplies, Works or Services by the Contractor or the granting of a Concession, including a compliant Framework Agreement and a Call-Off Contract under a compliant Framework Agreement and a Purchase Order
- 23.1.4 "Contracting Authority" has the meaning set out in the Public Contracts Regulations 2015
- 23.1.5 "Contractor" includes any sole trader, partnership or company (limited or unlimited) or any duly incorporated trade, consortiums or unincorporated bodies, professional or commercial body or voluntary body; (although the Council must only contract with legal entities)
- 23.1.6 "Contract Owner" means the lead stakeholder or commissioner for the proposed contract
- 23.1.7 "Contract Value" means the amount the Council pays to the Contractor under the Contract inclusive of VAT
- 23.1.8 "Contracts Finder" the UK's electronic procurement portal for contracts with a value of £25,000 or above

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- 23.1.9 “Contracts Register” means a comprehensive list of all Contracts that the Council procures, detailing key attributes such as type, term, value and Contractor and Procurement/ Directorate contact details
- 23.1.10 “Director of Finance” means the Chief Officer designated under section 151 of the Local Government Act 1972 or his/her nominated representative
- 23.1.11 “Director of Legal Services” means the Council’s Principal Solicitor
- 23.1.12 “E-auction” is a means of carrying out purchasing negotiations via the Internet. It is a real time event that occurs online, allowing multiple Contractors in different geographic regions to place bids and modify simultaneously
- 23.1.13 “E-procurement System” means Council’s e-tendering portal, The Chest (or equivalent)
- 23.1.14 “Find a Tender” means the UK’s electronic procurement portal for contracts with a value which is above the relevant Procurement Regulations threshold
- 23.1.15 “Financial Management System” means the Council’s electronic purchasing and payments system, Agresso (or equivalent)
- 23.1.16 “Framework Agreement” means an agreement which allows the Council to enter into Call-Off contracts for Supplies, Works or Services or Concessions in accordance with the terms of the overarching agreement, including an agreement for a Dynamic or Flexible Purchasing System
- 23.1.17 “Grant” means an award of money from the Council to another organisation or an award to the Council from a third party for the purpose of giving a benefit to a third party which is not Supplies, Services or Works. A grant awarded by the Council shall, where appropriate, be made subject to a written Grant agreement specifying the conditions upon which the grant is made and including that the grant can be clawed back if the conditions are not met
- 23.1.18 “Invitation to Tender” means a request for Contractors to submit a Tender to supply Supplies, execute Works or provide Services at specified charges or rates of charges
- 23.1.19 “Modification” means any change to a Contract
- 23.1.20 “Most Economically Advantageous” means using a cost-effectiveness approach or price/quality ratio which offers the best price (this will not necessarily be the lowest price)
- 23.1.21 “Open Procedure” means a procedure for inviting Tenders by advertisement in which an Invitation to Tender is sent to all Contractors who express an interest in Tendering
- 23.1.22 “Officer” includes any employee of the Council
- 23.1.23 “Procurement” means the process leading to the award of a Contract
- 23.1.24 “Procurement Regulations” means the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 and the Utilities Contracts Regulations 2016 as amended by The Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 (EU Exit Regulations) and as may be consolidated,

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extended, re-enacted or replaced together with such other UK regulations as may be made from time to time

- 23.1.25 “Purchasing Consortia” means an organised and constituted body of individuals who jointly participate in the Procurement and award of a Contract
- 23.1.26 “Quotation” means a formal offer to supply Supplies, execute Works or provide Services at specified charges or rates of charges
- 23.1.27 “Scheme of Delegation” means the document described as such within the Constitution
- 23.1.28 “Services” includes services for the provision of labour, advice, care and support services for people, installation, implementation, testing, management services (including project and programme management and consultancy services), maintenance, repair and support services
- 23.1.29 “Supplies” covers an item(s) of equipment, plant, machinery, vehicle, tool, portable building, materials, software or other similar object, whether inanimate or electronic, to be supplied or delivered by the Contractor and procured by Oldham Council and includes any documentation
- 23.1.30 “Tender” means a formal offer to supply or purchase Supplies, execute Works or provide Services at a stated price or offer to be granted a Concession
- 23.1.31 “Tenderer” shall mean any potential Contractor submitting a Tender
- 23.1.32 “Works” means the carrying out of construction or undertaking of engineering or other practical work, which normally requires the provision of labour services and materials to build, construct or physically provide parts of Services during a project implementation period.

## APPENDIX 2

### Further Proposed Revisions to Contract Procedure Rules

## 8 COMPLIANT FRAMEWORK AGREEMENTS

### 8.1 CALL-OFF CONTRACTS

8.1.1 Where an appropriate compliant Framework Agreement is recommended by the Commercial Procurement Unit, that has been established by a consortium, collaboration, the Council or other public body, the Council may consider using this compliant Framework Agreement to place an order (Call-Off) if:

- (a) ~~the~~ Framework Agreement has been established by an entity, and via a process, which permits the Council to access those arrangements lawfully;
- (b) the Council is a named Contracting Authority in the original advertisement.

(c) a detailed evaluation of the opportunities and risks associated with the Framework Agreement as detailed in 8.1.2 has been undertaken and agreed by the Monitoring Officer and Director of Finance.

8.1.2 Before undertaking a Call-Off under any compliant Framework Agreement, thorough due diligence should be undertaken and advice sought from the Commercial Procurement Unit, the Finance Services, the Human Resources Service and Legal Services to confirm the following (as a minimum):

- the Council is a named Contracting Authority in the original advertisement,
- the compliant Framework Agreement is in place and binding,
- the compliant Framework Agreement is still valid,
- the estimated Contract Value in respect of the proposed Call-Offs that would be made under the compliant Framework Agreement,
- that the maximum aggregate spend under the Framework Agreement has not been reached,
- that the Call-Off terms and conditions are fit for purpose,
- a copy of any User Guide / any other documentation is available.

8.1.3 Call-Off Contracts must be awarded based on the evaluation criteria identified in the compliant Framework Agreement.

8.1.4 Where the Call-Off is undertaken via a direct award process (which is prescribed in the compliant Framework Agreement), in advance of executing a Call-Off

Contract the Contractor must be requested, in writing, to supply confirmation, that is verified by the Council, that- it can meet the requirements of the Council in accordance with the relevant terms and conditions and the pricing established in the compliant Framework Agreement. All direct awards without competition should be reported to the Audit Committee on an annual basis.

#### 14. AWARDING CONTRACTS AND CALL-OFF CONTRACTS

14.1 All Contracts subject to these Contract Procedure Rules shall be awarded in accordance with the published evaluation criteria and in accordance with the Officer and Executive Member Scheme of Delegation in the table below and the decision notice recorded and published on Modern.gov:

<b>Contract Value</b>	<b>Awarded By</b>	<b>Decision Recorded on</b>
<b>Less than £10,000</b>	Authorised Officer (as per Departmental Scheme of Delegation)	Related spend is recorded (Purchase Order) via Finance Management System (Agresso)
<b>Between £10,000 and £99,999</b>	Authorised Officer (as per Departmental Scheme of Delegation)	Related spend is recorded (Purchase Order) via Finance Management System (Agresso),  The Chest, Modern Governance System and Find a Tender/Contracts Finder for Contracts and Call-Off Contracts with a value over £25,000.00.
<b>Between £100,000 and £399,999</b>	Executive Member in consultation with the Deputy Chief Executive, Assistant Chief Executive, Executive Director for Place and Economic Growth, Managing Directors and Directors (as relevant)	The Chest Modern Governance System and Find a Tender/Contracts Finder and the Key decision document for Contracts with a value of £250,000 plus
<b>£400,000 or over</b>	Cabinet or Sub-Committee including Commissioning Partnership Board	The Chest, Modern Governance System, Find a Tender/Contracts Finder  and the Key Decision Document

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N.B The Unity Partnership has a separate approval process which follows the same threshold limits as the Council. See below:

<u>Contract Value</u>	<u>Awarded by</u>
<u>Less than £100,000</u>	<u>Director</u>
<u>Greater than £100,000 but less than £400,000</u>	<u>Director</u>
<u>Greater than £400,000</u>	<u>Director</u>

- 14.2 No Contract or Call-Off Contract may be awarded unless budget release has been obtained in accordance with the Financial Procedure Rules and a Modern Gov report and Decision Notice is published authorising any spend of £25,000 or more confirming that the approved expenditure will be constantly monitored. A copy of the final version of the Modern Gov report must be forwarded to the procurement lead within the Commercial Procurement Unit to upload on The Chest. Spend below £25,000 shall be approved in writing by the Officer with delegated approval.
- 14.3 Where the Tender is not within the relevant approved budget, but additional budgetary provision is available, the Contract may be awarded, with the approval of the Director of Finance having ensured compliance with the Financial Procedure Rules.
- 14.4 Once the decision to award a Contract is made, each Tenderer must be notified in writing of the outcome. All Tenderers must be notified simultaneously and as soon as possible of the intention to award the Contract to the successful Tenderer(s) and this should be done via The Chest. The letters must include a description of the characteristics and relative advantages of the successful Tender.
- 14.5 A Contract award letter will be sent to the successful Tenderer(s) containing all relevant information, including all information prescribed by the Procurement Regulations, where relevant.
- 14.6 A Contract which has a Contract Value above the Procurement Regulations thresholds can only be awarded after a notice of the proposed award has been given to all unsuccessful Tenderers and the 10 day standstill period has elapsed from the day after the date upon which the notice was given. If the 10 days expire on a non-working day, then the notice period will be deemed to have lapsed on the next working day.
- 14.7 A Contract award notice must be published in Find a Tender and on the Council's website no later than 30 days after the date of award of the Contract (48 days in the case of a Concession Contract) where the Contract Value exceeds the Procurement Regulations threshold. A Contract award notice must also be published on Contracts Finder.
- 14.8 Save for Call-Off Contracts for personal social or health care or educational need where the overarching Framework Agreement has been sealed, Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, Deeds of Variation, Deeds of Novation and Deeds of Assignment with a Contract Value of £100,000 or more shall be executed by deed and attested by no less than one authorised sealing officer within Legal Services.
- 14.9 Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign together with Call-Off Contracts for personal social or health care or educational need and with a Contract Value



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of less than £100,000 shall be executed by no less than one officer of the Council with delegated authority to sign a Contract or contractual document under the Council's Officer and Executive Member Scheme of Delegation.

- 14.10 Reasonable endeavours shall be used to ensure that performance of a Contract does not commence before the Contract is executed.
- 14.11 All Contracts over £5,000 shall be published on and embedded in the Council's Contracts Register maintained by the Commercial Procurement Unit.
- 14.12 Where approved by the officer with delegated approval to sign or an authorised sealing officer within Legal Services or the Director of Finance, Contracts and Call-Off Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign with a Contract Value of less than £100,000 may be executed using the electronic signature of an officer of the Council authorised under the Council's Officer and Executive Member Scheme of Delegation or by such authorised officer using an e-signature via appropriate and secure digital signature software.
- 14.13 Contracts for Supplies, Services or Works and any other contracts, including but not limited to Grant Agreements, agreements to vary, novate or assign may be executed by a contractor using an electronic signature or by using an e-signature via appropriate and secure digital signature software.





## Report to Audit Committee

# 2023/24 Internal Audit and Counter Fraud Progress Report

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

**Officer Contact:** John Miller – Head of Audit & Counter Fraud

**Report Author:** John Miller – Head of Audit & Counter Fraud

**Contact:** john.miller@oldham.gov.uk

**20 July 2023**

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### Reason for Decision

The Audit Committee's Terms of Reference state that:

***4.4.2 The Audit Committee shall:***

***a) be responsible for oversight of the Council's Internal Audit arrangements and will;***  
***(ii) review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary;***

This report provides Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for Q1 the 2023/24 financial year. The report will assist the Committee in discharging its responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution alongside:

- further progress reports on Q2 to Q4 for 2023/24 to be provided to the Committee during the year;
- the Head of Audit and Counter Fraud's Annual Report and Opinion for the year 2023/24; and,
- joint reports to the Audit Committee on Actions to address agreed service areas.

## **Executive Summary**

The report summarises the work carried out by the Internal Audit team from 1 April 2023 to 30 June 2023.

During the first quarter of the year the team prioritised the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2022/23 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2022/23.

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

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.
- Completion of a variety of other planned Audit reviews and reports on Semi-Independence Units, Housing Strategy implementation, Out of Borough Education, and in connection with the pre-contract phases of the North Chadderton High School Extension, Diggle Clock Tower, The Old Library / Museum and Egyptian Room projects.
- Issuing a briefing note on Postal Voting integrity checks during the election in May 2023.
- Commencement of audit reviews of Street Lighting and Energy Management Functions.
- Corporate Counter Fraud activities, which have identified £75,036 of fraud errors and overpayments. The Direct Payments Audit Team (Adults and Children) have continued to deliver significant recovery outcomes which have generated £465,128 and £2,376 (respectively) for the period 1 April 2023 to 30 June 2023.

## **Recommendation**

Members are requested to consider and note the 2023/24 Q1 Audit and Counter Fraud Progress Report.

**2023/24 Q1 Internal Audit and Counter Fraud Progress Report****1. Background**

- 1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April 2023 and 30 June 2023.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2023/24 Audit and Counter Fraud Plan: Progress Update.
  - Section 3: Corporate Counter Fraud.
  - Section 4: Audit of Direct Payments.

**2. 2023/24 Audit and Counter Fraud Plan: Progress Update**

- 2.1 Priorities for the 2023/24 Audit and Counter Fraud Plan include:
- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements.
  - Audits which are classed as "high priority" in the Annual Audit Needs Assessment.
  - Counter Fraud work to identify fraud risks within the corporate systems.
  - Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
  - Delivery of the financial audits of Direct Payments in line with service plans and targets.
  - Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

**2022/23 Fundamental Financial Systems (FFS) reports**

- 2.2 Work commenced on these reviews in October 2022 and draft final reports were issued during Quarter 1 of 2023/24. Members have received reports on the significant findings of our work in this area in connection with Payroll, Adult Social Care, Children's Social Care and Debt as part of the Annual Report and Opinion of the Head of Audit and Counter Fraud for the year 2022/23. There are no further significant updates to report upon at this time in respect of our FFS work for 2022/23. Further details can be found at Appendix 1.

**Other planned reports issued**

- 2.3 In addition to the FFS related reports the team has also issued draft reports in the following areas:
- Semi Independence Units (Follow up)
  - Diggle Clock Tower pre-contract procurement
  - Old Museum / Library pre-contract procurement
  - Egyptian Room pre-contract procurement
  - North Chadderton High School Extension pre-contract procurement
  - Out of Borough Placements
  - Housing Strategy Implementation
- 2.4 One further planned report was issued in the quarter in relation to IT Change Management Controls. This work was undertaken by Salford Computer Audit Service (SCAS) which is part of Salford Council and which provides specialist IT related audit services across North West

Local Authorities and beyond. A briefing note on Local Elections Postal Vote Checks was also issued.

### **Grant Assurance Reviews**

- 2.5 Further work was also undertaken in connection with grant funding schemes in response to the COVID-19 pandemic by way of responding to Central Government requests for supporting information to ensure grant funding has been utilised as intended.

### **Other Work Undertaken**

- 2.6 We continue to assist the Adult Social Care Service by way of the Direct Payment (DP) Auditors invoicing for DP overpayments as soon as the DP audit is concluded. We commenced this invoicing in January 2023.

- 2.7 Other work underway or scheduled as at 30 June 2023 included reviews of:

- The Council's Land Sales Programme.
- Spindles pre-contract procurement review.
- Contract Register
- Energy Management
- Street Lighting
- Burnley Brow Primary School
- St Teresa's Primary School

- 2.8 The team has also supported both the Director of Finance and other colleagues within the Finance Service, and in other service areas, with ad hoc requests for support and assistance throughout the period as required.

## **3. Corporate Counter Fraud**

- 3.1 The Corporate Counter Fraud Team continues to perform well. Appendix 2 sets out the key outcomes from the work conducted.

- 3.2 Highlights include the identification of £75,036 of fraud errors and overpayments. :

- 17 cases of non-CTR fraud/misuse of funds including Council Tax Single Person Discount fraud (SPD), Blue Badge misuse and Direct Payment misuse.
- £4,903 of non-CTR fraud/misuse.
- 22 cases of ineligible claims for Council Tax Reduction (CTR).
- £36,612 of Housing Benefit ineligibility and overpayments (identified as part of the CTR investigations).
- £33,519 of ineligible claims for Council Tax Reduction (CTR).

- 3.3 In addition to the above the Counter Fraud Team has supported, as required, with internal staff investigations during the period.

- 3.4 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:

- Collaborate with the Internal Audit Team.
- Ensure the delivery of the Internal Audit and Counter Fraud Plan 2023/24.

## **4. Audit of Direct Payments**

- 4.1 The Direct Payments Audit team has a dual role, as a compensating control, of:

- Ensuring client spending is in line with their agreed Support Plan.
- Identifying overpayments made / or client contributions outstanding for recovery.

4.2 Appendix 3 shows the monthly Direct Payments Audit volumes and financial outcomes arising for both Adults and Children's Services, which are £465,128 and £2,376 (respectively). In total the team carried out 192 Adults and Children's Direct Payment Audits.

## 5 **Options/Alternatives**

5.1 The Audit Committee can either:

- a) choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team; or,
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach.

## 6 **Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

## 7 **Consultation**

7.1 N/A.

## 8 **Financial Implications**

8.1 N/A.

## 9 **Legal Services Comments**

9.1 N/A.

## 10 **Co-operative Agenda**

10.1 N/A.

## 11 **Human Resources Comments**

11.1 N/A.

## 12 **Risk Assessments**

12.1 The 2023/24 Audit and Counter Fraud Plan was prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (John Miller)

## 13 **IT Implications**

13.1 N/A.

## 14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 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, 2 & 3  
Officer Name: John Miller  
Contact: john.miller@oldham.gov.uk

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April 2023 to 30 June 2023
- **Appendix 2:** Counter Fraud Results – 1 April 2023 to 30 June 2023
- **Appendix 2:** Direct Payments Results – 1 April 2023 to 30 June 2023

## Audit and Counter Fraud 2023/24 - Summary of Audit Reports/Outcomes - 1 April 2023 to 30 June 2023

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2022/23 Draft Final Report – Council Tax	Report	Q1	Adequate
2	Chief Executive	2022/23 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2022/23 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2022/23 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2022/23 Draft Final Report – Payroll	Report	Q1	Adequate
6	Chief Executive	2022/23 Draft Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2022/23 Draft Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2022/23 Draft Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2022/23 Draft Final Report – Accounts Receivable	Report	Q1	Inadequate
10	Adult Social Care	2022/23 Draft Final Report – Direct Payments	Report	Q1	Weak
11	Adult Social Care	2022/23 Draft Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2022/23 Draft Final Report – Fixed Assets	Report	Q1	Adequate
13	Children & Young People	2022/23 Draft Final Report – Cash Income (Lifelong Learning)	Report	Q1	Good
14	Children & Young People	2022/23 Draft Final Report – Children’s Social Care	Report	Q1	Inadequate
15	Children & Young People	Draft Report - Semi Independence Units (Follow up)	Report	Q1	Adequate
16	Place & Economic Growth	Draft Report - Diggle Clock Tower pre-contract procurement	Report	Q1	Adequate
17	Place & Economic Growth	Draft Report - Old Museum / Library pre-contract procurement	Report	Q1	Adequate
18	Place & Economic Growth	Draft Report - Egyptian Room pre-contract procurement	Report	Q1	Adequate
19	Place & Economic Growth	Draft Report - North Chadderton High School Extension pre-contract procurement	Report	Q1	Good

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
20	Children & Young People	Draft Report - Out of Borough Placements	Report	Q1	Adequate
21	Place & Economic Growth	Draft Report - Housing Strategy Implementation	Report	Q1	Adequate
22	Chief Executive	Draft Report – IT Change Management (SCAS)	Report	Q1	Adequate
23	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Assurance

**Key:**

Opinion	Description
Advisory	The work in this area is either not audit work in nature, such as provision of advice and consultancy, and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that, e.g. funding has been spent as intended and/or procedures and controls have operated effectively
Weak	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.



**Audit and Counter Fraud 2023/24**

Counter Fraud Results 1 April 2023 to 30 June 2023

<b>Counter Fraud Team 2023/24</b>	<b>Quarter 1</b>
Corporate Cases - Positive Results	17
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£4,903.68
CTR cases amended as a result of an investigation	22
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£36,612.72
CTR Fraud and Error Overpayments identified (£)	£33,519.65
<b>Financial Outcomes</b>	<b>£75,036.05</b>

**Audit and Counter Fraud 2023/24**

Direct Payments Results 1 April 2023 to 30 June 2023

<b>Direct Payments Team 2023/24</b>	<b>Quarter 1</b>
Number of Children's Direct Payment audits undertaken	2
Funds requested during Children's Direct Payment Audit	£2,376.26
Number of Adults Direct Payment Audit undertaken	190
Funds requested during Adults Direct Payment Audit	£465,128.02
<b>Total Financial Outcomes from Direct Payment Audit Team</b>	<b>£467,504.28</b>



## Report to Audit Committee

# Audit Committee Work Programme for 2023/24

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Cabinet Member Finance and Corporate Resources

**Officer Contact:** Anne Ryans, Director of Finance

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

**20 July 2023**

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### Purpose of Report

To present to the Audit Committee, a proposed work programme for 2023/24.

### Executive Summary

Appendix 1 sets out a proposed work programme for the Audit Committee for 2023/24. Members are therefore asked to consider the content of the Appendix and advise of any amendments or revisions.

### Recommendation

That Members of the Audit Committee consider the attached Appendix setting out the proposed work programme for 2023/24 and comment as required.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
<b>Thursday 8 June 2023 at 6.00 pm</b>	Audit Committee Chair – Charged with Governance, Management Processes and Arrangements.	The draft response of the Audit Committee Chair to provide key assurances to support the Audit Process which are then discussed by the Committee.
	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.
	Update on Key Developments within the remit of the Committee.	This report provides an update on matters pertinent to this Committee including an update on the final accounts, developments linked into the future oversight of local audit and planned training for the Committee.
Page 228	Local Code of Corporate Governance	This is an update to the previously agreed Local Code of Corporate Governance.
	Internal Audit and Counter Fraud Progress Report on 2022/23	An update report on the progress made by the Internal Audit Service.
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	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, Senior Information Risk Owner Update	An update report by the Senior Information Risk Owner of key developments in Information Governance impacting on Oldham Council.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
<b>Tuesday 27 June 2023 at 6.00 pm</b>	Update on External Audit Matters	An update if required, on national developments linked into the on-going developments and consultations on the provision of external audit to Local Government Bodies.
	2022/23 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 2022/23.
	Draft 2022/23 Annual Statement of Accounts	This is the report to the Audit Committee on the draft Statement of Accounts which also details the outturn for the financial year 2022/23.
	Draft Annual Governance Statement for 2022/23	The detailed review of the Draft Annual Governance Statement by the Audit Committee in advance of the Statement of Final Accounts.
Page 229	Reserves Policy for 2022/23 to 2023/24	This is the annual update to the Reserves Policy considering the provisional out-turn for the financial year 2022/23.
	Treasury Management Review 2022/23	The annual review of Treasury Management for 2022/23 by the Audit Committee.
	Feedback on the Chartered Institute of Public Finance and Accountancy (CIPFA) Review of the Internal Audit Service	This is the feedback to the Committee of the review undertaken of the Internal Audit Service and whether its working practices comply with International Auditing Standards.
	Private Report; Update on the Corporate Risk Register	A report on the Corporate Risk Register as at 31 March 2023.
<b>Thursday 20 July 2023, 6.00pm.</b>	Audit Strategy Memorandum	This report sets out the proposed approach from the External Auditor to audit the 2022/23 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.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Update on General Matters	A report detailing the feedback from Best Value Inspectors at failing Authorities, a key report produced by the Public Accounts Committee, the requirement placed on the Accountable Officer for key capital grant programmes and the creation of the Office for Local Government.
	Self-Assessment of the work undertaken by the Audit Committee during 2022/23 compared to the Constitution.	The first stage in the production of an Annual Report which is a requirement of recently issued guidance on best practice for Audit Committees is to undertake an assessment of how the responsibilities set out in the Terms of Reference have been discharged.
Page 230	Treasury Management Update Quarter 1 Monitoring Report.	A new requirement for the financial year 2023/24 is for a monitoring report to be produced quarterly. As the role of the Committee is to scrutinise treasury management arrangements and the make recommendations to Cabinet, then this report is on the Agenda to facilitate consideration by Cabinet in August.
	Proposed Revisions to Finance Procedure Rules	This report sets out some proposed revisions to the Finance Procedure Rules which are to be recommended to Council.
	Amendments to Contract Procedure Rules and Proposed Future Revisions.	This report sets out the changes to the Contract Procedure Rules as reported to Council on 12 July 2023 and some further revisions proposed by the Director of Finance.
	Internal Audit Progress Report	A report on the progress made against the agreed Internal Audit Plan.
	Proposed Audit Committee Work Programme for the Municipal Year 2023/24	A report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	Private Report; Update on the Risk Management Strategy and Framework and the Corporate Risk Register for 2023/24	A report on the Risk Management Strategy and Framework and the Corporate Risk Register as at 30 June 2023.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

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Meeting Date & Venue	Agenda Item	Summary of Report Issue
	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.
<b>Tuesday 5 September 2023, 6.00 pm</b>	Update on External Audit Matters	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Compliance with the 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.
<b>Page 231</b>	Revised 2021/22 Audit Completion Report	This report details the revised Audit Completion report on completion of the audit.
	2020/21 and 2021/22 Statement of Final Accounts.	This details the latest position including whether the outstanding issue of the sign off on Whole of Government Accounts is resolved.
	2022/23 Statement of Final Accounts	This report provides an update on the 2022/23 draft Statement of Accounts and associated issues arising from the external audit.
	The CIPFA Audit Committee Guidance Documents and draft Annual Report	This report sets out the updated guidance issued by CIPFA in respect of the best practice to follow in operating an Audit Committee and the proposed Annual Report.
	Update on General Matters	This will update the Committee on current matters of interest.
	Proposed Audit Committee Work Programme for 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.

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**Appendix 1**

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	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.
	Private Report; Partnership Risk Dashboard	This is the regular report produced for the Committee to assess the on-going risk to the Council from its key partnerships.
<b>Tuesday 31 October 2023, 6.00pm</b>	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
Page 232	Treasury Management Mid-Year Review 2023/24	The planned scrutiny of the 2023/24 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.
	The Financial Reporting Council (FRC) 2023 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 2023.
	Internal Audit Progress Report 2023/24	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 2023/24	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts.
	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



**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

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Meeting Date & Venue	Agenda Item	Summary of Report Issue
		the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Update on the Corporate Risk Register	This sets out the position as of 30 September 2023 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
<b>Monday 15 January 2024, 6.00 pm</b>	External Audit Progress Report	An update produced by the External Auditor of issues to be brought to the attention of the Committee.
Page 233	External Audit of Teachers' Pensions Agency Return 2022/23	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.
	Internal Control Matters; Payroll	This is the report to Committee on Internal Control Matters within the administration of payroll.
	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 2023/24 and the 2024/25 financial year	This report detailing the proposed work programme for 2023/24 including actions required to support the approval of the Statement of Final Accounts which are not yet closed.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

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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 2023 in relation to matters included on the Corporate Risk Register.
<b>Tuesday 6 March 2024, 6.00pm</b>	2022/23 Annual Statement of Accounts – Update (if required)	Update on the progress of the audit of the 2022/23 accounts and related matters.
<b>Page 234</b>	2023/24 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 2023/24 Statement of Accounts.
	Housing Benefit Subsidy Audit 2022/23	This report considers the feedback on the external audit of the Housing Benefit Subsidy Grant claim.
	Internal Audit Charter 2024/25	An updated Internal Audit Charter for the financial year 2024/25.
	Update on General Matters	This is an update on regulatory developments to inform the Audit Committee in support of its Governance role.
	Proposed Audit Committee Work Programme for the remainder of 2023/24 and the future 2024/25 financial year	This report detailing the proposed work programme for the remainder of 2023/24 including actions required to support the approval of the Statement of Final Accounts and setting out the future plan of work for 2024/25.
	Private Report; 2024/25 Internal Audit and Counter Fraud Plan	The proposed plan of work for the financial year 2024/25 to enable review by the Committee.

**Updated Audit Committee Work Programme for the 2023/24 Municipal Year**

**Appendix 1**

<b>Meeting Date &amp; Venue</b>	<b>Agenda Item</b>	<b>Summary of Report Issue</b>
	Private Report; Update on the Corporate Risk Register	An update on the Corporate Risk Register as of 31 December 2023.
	Private Report; Update on the Annual Governance Statement for 2022/23 and new issues	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.

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