

**AUDIT COMMITTEE**  
**02/11/2021 at 6.00 pm**



**Present:** Councillor  
Councillors Ahmad, Alyas, Dean, C. Gloster, Islam (Vice-Chair),  
Salamat and Arnott (Substitute)

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Assistant Director of Corporate Governance and Strategic Financial Management
John Miller	Finance
Karen Murray	Mazars External Auditors
Kaidy McCann	Constitutional Services

1           **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Surjan,  
Briggs and Lancaster. Councillor Arnott attended as a substitute.

2           **URGENT BUSINESS**

There were no items of urgent business received.

3           **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4           **PUBLIC QUESTION TIME**

There were no public questions received.

5           **MINUTES OF PREVIOUS MEETING**

**RESOLVED** that the minutes of the meeting of the Audit  
Committee held on 9<sup>th</sup> September 2021 be approved as a  
correct record.

6           **PROJECT GOVERNANCE PROCESS - ALEXANDRA PARK  
ECO CENTRE**

The Committee gave consideration to a report of the Director of  
Finance which informed them of the Gateway review process for  
a major capital project, the Alexandra Park Eco Centre. The  
report provided a specific example of the Council's governance  
processes.

Members were informed that the Council had set in place a  
robust governance process for each of the projects within the  
Creating a Better Place Programme as well as other major  
capital schemes. Following a request from the Audit Committee,  
this report set out how a major project (the Alexandra  
Park Eco Centre project) had complied with the governance  
process. In particular, it presented how the project was

managed on a daily/weekly basis, and importantly, the approvals it had been required to obtain as it evolved to the point where a main contractor was about to be appointed.

It was important that a large capital project such as the Alexandra Park Eco Centre was subject to a rigorous governance process, given the large sums of public money that such a project expended.

The governance process included the following:-

- Establishment of a Project Board - The Alexandra Park Eco Centre Project Board met monthly and was chaired by the designated Senior Responsible Officer – the Head of Regeneration and Development. Other members of the Board included the client-side Project Manager and representatives from the Council's Finance, Legal, Procurement and Environmental Services departments.
- Day to Day/Weekly Management - an officer working group that met on a weekly basis. At those meetings, issues that had arisen over the previous week were discussed and solutions agreed. If necessary, decisions/issues would be referred to the next Project Board meeting.
- Council Approvals – due to the complexity of the Eco Centre project and that projects could not progress without Council approval, approval had to be sought at various stages from a range of sources which included the Head of Regeneration and Development, the Director of Economy (both within their delegated authority levels) and Cabinet. In the run up to Cabinet approval, reports had been considered by various officer groups, the Corporate Property Board, and the Capital Investment Programme Board.
- Gateway Reviews – Strategic Outline and Full Business Cases – in order for the project to progress, both a Strategic Outline and Full Business Case needed to be approved. Each of these were considered by Gateway Panels comprising of senior officers and other staff members who have not had a direct input into the given project. This would allow the opportunity for an Independent Review and challenge.

Members asked for and received clarification on the following:

- It was felt that the public expectations of projects were low and majority of residents felt fed up by the time the projects would be completed. It was explained that beginning of projects were very difficult due to hurdles in the process. It was imperative to get the contracts in place as projects could take years to complete. However, it was important to get those projects right for the Borough which included public consultation.
- Potential for projects to overrun on time or money. It was noted that the Finance Team would engage at the first and each monthly monitoring, if a project was not on track then the relevant Officer would be brought to inform the

Capital Improvement Programme Board to explain the reasons for the delay or extra costs. Contingency plans were in place for all projects. However, if the contingency plan was not adequate then the project would be sent to Scrutiny for review.

- Contractor value for money. It was noted that external cost consultants were used to advise on large specialist projects and internal cost consultants for smaller projects.
- Did projects need to be more realistic? It was noted that the Council had a lot of ambition and knew it would have to be prepared and realistic. The Council had submitted significant bids to Government with some put in at risk. However, the focus would be on those projects that meet the priorities of the Council.

**RESOLVED** that the governance process that a large capital project such as the Alexandra Park Eco Centre was required to adhere to be noted.

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## **2020/21 ANNUAL STATEMENT OF ACCOUNTS**

The Committee gave consideration to a report of the Director of Finance which presented an update to the current position regarding the audit and approval of the 2020/21 Statements of Accounts and an update on the outstanding audit issues presented previously to the Committee.

Members were informed that the Statement of Accounts was presented to the Committee on 29<sup>th</sup> July 2021 for approval. However, there was still work outstanding on the Council's group accounts and the IT audit. The External Auditors also needed to have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). As such, the final approval of the accounts was delegated to the Vice Chair of the Audit Committee after consultation with the Director of Finance and on receipt of advice from the External Auditor. The audit had now been concluded and the accounts were signed off on the 30 September 2021 in line with the statutory deadline. It was noted that the Statement of Accounts had not significantly changed since the presentation to the Committee on 29 July 2021.

Members were informed that Mazars LLP was yet to complete work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2021. This work was still ongoing and at the time of preparing the report, the auditors had not identified any significant weaknesses in arrangements that required them to make a recommendation. However, they would continue to undertake work on the Council's arrangements and update the Audit Committee. It was noted that the audit process could not be fully finalised until all the VFM work and the Whole of Government Accounts (WGA) audit was completed.

**RESOLVED** that the content of the report and the Auditors letter “Conclusion of Pending Matters – Audit Completion Report” be noted.

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### **OLDHAM MBC - EXTERNAL AUDIT PROGRESS REPORT OCTOBER 2021**

Consideration was given to a report of Mazars LLP which provided an update on the progress in delivering their responsibilities as the External Auditors.

Members were informed that the audit of the financial statements had been completed and the unqualified audit opinion had been signed on the 30<sup>th</sup> September 2021 in line with the deadline for 2020/21. Mazars’ final audit completion letter was issued at the conclusion of the audit updated the Committee on the outstanding items listed in the Audit Completion Report presented to previous meeting. It had also highlighted one additional uncorrected audit adjustment related to the group consolidation and three additional recommendations arising from the completion of Mazars’ IT audit work.

It was explained that two elements of the 2020/21 audit work were still to be completed which was the Council’s value for money arrangements and the Council’s Whole of Government Accounts submission. It was noted that the value for money arrangements would be presented to the next Audit Committee.

**RESOLVED** that the report be noted.

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### **MAZARS LLP EXTERNAL AUDIT RECOMMENDATIONS**

The Committee gave consideration to a report of the Director of Finance which set out the Council’s response to the recommendations highlighted in the Mazars LLP draft Audit Completion report for 2020/21 and subsequent letter entitled ‘Conclusion of Pending Matters – Audit Completion Report.

The audit work identified some minor matters which resulted in four low priority recommendations. The four recommendations and the Councils response were as followed:

- Housing Benefit system to General Ledger reconciliations – the Council had reviewed and updated the Housing Benefit reconciliation timeframe. It was agreed with the Council and Unity Partnership that an action plan would be put in place to ensure that all reconciliations were undertaken in a timely manner.
- The consolidation of the Council’s group entities - As part of the closedown process for 2021/22, the Council had included additional checks and reconciliations in its closedown timetable to ensure that all transactions and reconciling items were matched between the Council, MioCare CIC and Unity Partnership Ltd.

- IT general controls associated with access to Agresso – The Council would review the sign on arrangements for non-Single Sign On (SSO) users whilst migrating as many users as possible over to SSO. Password controls would be tightened up for non-SO users so that passwords would expire after 90 days. The Agresso functionality in relation to password security would also be reviewed to determine whether enhanced controls could be mandated to non-SSO users.
- The IT Service Continuity Plan – there was an active IT disaster Recovery procedure in place held by Unity IT that would see the restoration of IT services in a catastrophic event This plan would be linked to the overall Business Disaster Recovery Plan. The recovery would see a complete rebuild of infrastructure, which is then populated with the data back-ups. Where required, Service Continuity Plans would be invoked while the infrastructure was being restored. The current disaster recovery solution could not easily be tested outside of assuring the quality of data back-ups. However, the process was under change as part of the migration to Cloud/SaaSbased solutions. This would see the high availability and a more robust disaster recovery solution in place for Agresso and all other Council systems.

**RESOLVED** that:

1. the responses to the recommendations highlighted by the Council's external auditors, Mazars LLP, in the draft Audit Completion Report and subsequent letter entitled 'Conclusion of Pending Matters – Audit Completion Report be noted.
2. how the Council has implemented the recommendations be noted.

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**UPDATE ON EXTERNAL AUDIT MATTERS**

The Committee gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management which provided Members with an update on matters relating to both the future oversight of external audit within Local Government and matters of interest from Public Sector Audit Appointments (PSAA), who oversee the appointment and high-level quality of external audit provision.

Members were given an update on the latest developments within external audit regulation following the production of the Redmond Report, and the recommendations which were made. It was highlighted that the regulation of external audit overseeing Local Government required reform. One of the most significant recommendations concerned the impact of abolishing the Audit Commission and the impact it had on overseeing external audit in both Local Government and the NHS. The preferred approach of government in response to the Redmond Report was to propose the inclusion of a separate unit to oversee public audit within the Audit Regulation and Governance Authority (ARGA)

to provide oversight of both private and public sector audit. This was not fully in line with the Redmond report which recommended the creation of an independent body to oversee Local Government and NHS audit. ARGA was to be the successor body to the Financial Reporting Council. As well as concerns with Local Authority audit, there were also matters on the audit of private companies which required future regulatory reform. Whilst matters on the final design of ARGA were under consultation it was generally accepted this would happen and was broadly supported. One specific challenge it would need to manage was balancing up any conflict on approach between private and public audit.

Members were updated on the proposed procurement exercise which, subject to Local Authorities exercising their right to opt in, was to be undertaken by the PSAA to appoint their external auditors from 1 April 2023. It was recommended by the Director of Finance and the Assistant Director of Finance for Corporate Governance and Strategic Financial Management that the Council should opt into the procurement exercise undertaken by the PSAA. It was consistent with the principle recommended in the Redmond Review that Local Authorities should not appoint their own auditor. In terms of price, there was a likely benefit from a bulk procurement, and it was uncertain if Oldham were to undertake its own procurement it would attract an appropriate external auditor. As Redmond highlighted in the review there were only limited participants in the market prepared to undertake Local Authority audit.

The Committee was provided an update on the overall reported performance of external audit opinions issued for Local Authority accounts before the Statutory Deadline of 30 September 2022. It was highlighted that Oldham Council was one of the 9% of Authorities who had received the certified audit opinion.

Members asked for and received clarification on the following:

- Filling the independent Chairperson on the Committee. Members were advised that the position had been advertised three times and had not gained any interest. It was known that this was where Oldham was lacking.

**RESOLVED** that the developments outlined in this report be noted.

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## **TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2021/21**

Consideration was given to a report of the Finance Manager (Capital and Treasury) which advised Members on the performance of the Council's Treasury Management function for the first half of 2021/22 and provided a comparison of performance against the 2021/22 Treasury Management Strategy and Prudential Indicators.

Members were informed that the Council was required to consider the performance of the Treasury Management function

in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The report set out the key Treasury Management issues for Members' information and review and outlined the following:

- An economic update for the first six months of 2021/22;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- Why there had been no debt rescheduling undertaken during 2021/22; and
- A review of compliance with Treasury and Prudential Limits for 2021/22.

**RESOLVED** that:

- The Treasury Management activity for the first half of the financial year 2021/22 and the projected outturn position be commended to Cabinet.
- Amendments to both Authorised Limit and Operational Boundary for external debt as set out in the table at Section 2.4.5 of the report be commended to Cabinet.
- Amendments to the Capital Financing Requirement (CFR) as set out in the table at section 2.4.5 be commended to Cabinet.

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**REVISION TO THE RESERVES POLICY FOR 2020/2021 TO 2021/22**

Consideration was given to a report of the Director of Finance which presented the Committee with the revision to the Reserves Policy of the Council for the financial years 2020/21 to 2021/22.

Members were reminded that the Reserves Policy for 2020/21 to 2021/22 was considered at the meeting held on 29<sup>th</sup> July 2021. The report set out an amendment to the use of one of the reserves, the Health and Social Care Integration Reserve with a value of £10.300m. The reserve of £10.300m was established to provide resources to support further integration between health and social care providers in line with Government policy. Its use was to be approved by Members after a review and agreement by the Strategic Director Commissioning of Oldham Council / Chief Operating Officer of Oldham Clinical Commissioning Group (CCG). Due to the changes to Council management arrangements and the changes to the operation of the Oldham CCG, a report was presented to and approved by the Commissioning Partnership board of 21 October 2021 to revise the use of the reserve and to amend the process for the approval of the reserve. It was proposed to split the reserve into two elements of £5.300m and £5.000m.

Members were informed that whilst some of the £5.300m had already been utilised, any future use of the reserve would be delegated to Commissioning Partnership Board having received a recommendation from the new Oldham Health & Care System Board. The remaining £5.000m would be delegated jointly to the Council's Director of Finance and the CCG's Chief Finance Officer as it was envisaged that the resource would be added to the pooled budget managed via the Section 75 Agreement between the Council and Oldham CCG. This would enable the respective officers to finalise the technical requirements in order to utilise the funds and confirm phasing arrangements.

**RESOLVED** that the revision to the Reserves Policy for 2020/21 to 2021/22 be agreed.

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### **2021/22 AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee gave consideration to a report of the Assistant Director of Corporate Governance and Strategic Financial Management which provided Members with a high-level progress report on the work of the Audit and Counter Fraud team for the 2021/22 financial year.

Members were informed that the team had prioritised work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2021/22 audit of the financial accounts. Both planning and field work had commenced in a number of areas for the first stage FFS reviews for 2021/22. In addition to that work, highlights of the Audit and Counter Fraud Team included:

- Contributing to reviewing controls around processing grants arising from the Government's COVID-19 response, including the Local Support Grant regime, and continued support around Business Grants reviews and queries.
- Carrying out investigations around potential fraud and error on Business Grants.
- Reviewing and certification of European grants.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £1,094,080 and £55,315 (respectively) during the 2021/22 financial year.

It was noted that the team also provided services around postal votes assurance checks for the May 2021 local election and Greater Manchester Mayoral election. The Internal Audit and Counter Fraud team reviewed postal votes around accuracy and controls in place prior to postal votes being delivered.

Members asked for and received clarification on the following:

- Employment of additional staff within the team. It was noted that it would depend on a pint of balance however, with more staff it would be likely to discover more fraud.

**RESOLVED** that the progress achieved and performance by the Audit and Counter Fraud Team be accepted and noted.



**Oldham**  
Council

14 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2021/22 AND EARLY 2022/23**

The Committee received a copy of the proposed Audit Committee Work Programme for 2021/22 and early 2022/23.

**RESOLVED** – That the proposed Audit Committee Work Programme for 2021/22 and early 2022/23 be approved.

15 **EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraphs 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.

16 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2020/21 AND NEW ISSUES**

Consideration was given to a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members of the Audit Committee 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 Annual Governance Statement for 2020/21.

**RESOLVED that** the contents of the report be noted.

17 **PARTNERSHIP RISK DASHBOARD**

Consideration was given to a report of the Director of Finance which linked into previous reports submitted to the Committee throughout the financial year 2020/21 which had highlighted the potential risks to the Council from poor supervision of companies/ partnerships of which it had ownership. Those reports highlighted how governance oversight, including that of the Audit Committee at selected Councils, had failed to identify this risk in respect of these third-party entities resulting in significant financial loss. The Committee requested the preparation of reports analysing the potential risks to the Council from the partnerships in which it has an interest for its consideration at least every 6 months. The report provided an update to the report previously submitted to this Committee on 25 March 2021.

**RESOLVED that** the contents of the report be noted.

The meeting started at 6.00 pm and ended at 7.38 pm