

AUDIT COMMITTEE
29/11/2022 at 6.00 pm



Present: Councillors Ahmad, Alyas, C. Gloster, Salamat and Ball

Also in Attendance:

Karen Murray

Paul Rogers

Anne Ryans

Mark Stenson

Mazars External Auditors

Constitutional Services

Director of Finance

Assistant Director of Corporate

Governance and Strategic Financial

Management

1 ELECTION OF CHAIRMAN

In the absence of the Vice Chair the Committee was asked to nominate a Member to Chair the meeting.

Resolved:

That Councillor Ahmad be appointed Chair for the duration of the meeting.

Councillor Ahmad in the Chair.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Islam.

3 URGENT BUSINESS

There were no items of urgent business received.

4 DECLARATIONS OF INTEREST

There were no declarations of interest received.

5 PUBLIC QUESTION TIME

The meeting was informed that a question had been received from a member of the public. The Council's Director of Legal Services has ruled that the question cannot be asked in an open committee meeting as it could lead to the disclosure of confidential information. However, the appropriate officers would supply the member of the public with a detailed written answer at the earliest opportunity.

6 MINUTES OF PREVIOUS MEETING

Resolved:

That the Minutes of the meeting of the Audit Committee held on 1 November 2022 be approved as a correct record.

7 EXTERNAL AUDIT UPDATE REPORT

The Committee considered a draft Audit Completion report of the Council's External Auditors, Mazars LLP, for year ended 31 March 2022 which summarised their audit conclusions. The report is linked to the Council's report on the 2021/22 Annual

Statement of Accounts Update, minute no.8 to these minutes refers.



Karren Murray, External Auditor, advised that in section 4 of the report, Mazars have set out their conclusions and significant findings from their audit with nothing significant to report. This includes their conclusions on the audit risks and areas of management judgement in the Audit Strategy Memorandum, which include the:

- Valuation of Land & Buildings
- Valuation of Investment Property
- Valuation of the Defined Benefit Pension Liability

Section 5 sets out internal control recommendations and section 6 sets out the identified audit misstatements.

Mazars has substantially completed the Council's audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing their report, matters remaining outstanding are outlined in section 2. Once the audit of these items is completed, they will provide an updated final Completion Report for the Committee to consider. Subject to the satisfactory conclusion of the remaining audit work, Mazars had the following conclusions:

Audit Opinion –

Based on the work completed Mazars would anticipate issuing an unqualified opinion, without modification, on the financial statements. However, they report in section 2, that there is an outstanding national issue in respect of the accounting for infrastructure assets. The solution to this issue is not yet known and the Council may have to carry out additional work, impacting on its 2021/22 infrastructure asset valuations. They will update the Committee further as more information is available.

Value for Money –

Mazars has not yet completed the value for money arrangements work and will report the findings in the Auditor's Annual Report later in the year. On the basis of the work completed to date Mazars do not anticipate having significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on the value for money arrangements work is provided in section 7 of the Mazars report.

Whole of Government Accounts (WGA) -

For 2021/22, the threshold for completing detailed audit work on the Council's WGA return has increased. The Council is below the revised threshold, however Mazars

expect the National Audit Office to select a sample of Councils where auditors will undertake detailed procedures. Mazars is unable to commence work in this area until the list of sampled Councils is received.



Wider Powers

The 2014 Act requires Mazars to give an elector, or any representative of the elector, the opportunity to ask questions about the accounting records of the Council and to consider any objection made to the accounts. No new questions have been received during the 2021/22 audit.

Resolved:

That the Audit Committee notes the draft Audit Completion report produced by Mazars LLP.

8 ANNUAL STATEMENT OF ACCOUNTS 2021/2022

The Committee considered a report of the Director of Finance which highlights the current progress of the audit of the 2021/22 accounts by Mazars LLP. It also advises of the developments with regard to the preparation and review of the Whole of Government Accounts for both 2020/21 and 2021/22 and provides an update on the Department for Levelling Up, Housing & Communities consultation on Infrastructure Assets.

Resolved:

That the update on the Council's Statement of Accounts for 2021/22 and related matters be noted.

9 COUNTER FRAUD AND CORRUPTION POLICIES AND PROCEDURES

The Committee considered a report of the Head of Internal Audit and Counter Fraud which sets out the updated Counter Fraud and Corruption Policies and associated planning documents. These documents support the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption.

The Accounts and Audit Regulations 2015 state that the Council must have measures in place "to enable the prevention and detection of inaccuracies and fraud." In this context, fraud also refers to cases of bribery and corruption.

The Head of Audit and Counter Fraud 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 the Chartered Institute of Public Finance and Accountancy. The Cabinet Office also provides guidance on professional Counter Fraud standards across the public sector, and such guidance is followed in Counter Fraud activities undertaken by Oldham Council.

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 Audit and Counter Fraud Team is responsible for investigating potential fraud, for identifying potential fraud risks, conducting proactive fraud reviews, and for delivering training and awareness to colleagues. In addition, the team maintains the relevant policies and procedures, which are reviewed and updated routinely.

In response to a suggestion regarding an independent party to investigate allegations by employees of misconduct, the Assistant Director of Corporate Governance and Strategic Financial Management advised that he would look into the possibility of Public Concern at Work carrying out this role. Regarding paragraphs 13.4 and 16.3 of the Counter Fraud and Anti Bribery Strategy and Counter Fraud Response Plan on pages 22 and 23 of the report, at the Chairman's request the Assistant Director advised that he would revisit those paragraphs with a view to moderating the wording.

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 approved.

10

THE FINANCIAL REPORTING COUNCIL (FRC) 2022 REPORTS

The Committee considered a report of the Head of Internal Audit and Counter Fraud which presents 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.

The Committee was informed that during 2022 the FRC has 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 sets out how the Financial Reporting Council (FRC) will support the Government's reforms as the FRC transitions into ARGA. The legislation to enact the creation of ARGA is still awaited but, in preparation, the FRC in September 2022 recruited a Director of Local Audit.

This FRC Audit Inspection Report sets 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 incorporates 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.

What is difficult to interpret is whether, because of previously reported inspections by FRC, the overall standard of the audits has improved. The reported quality of the audits from the sample identified for review has improved from the previous report. However, the report alludes to the original sample changing due to the challenges at some organisations in having both the Accounts ready for audit and then completing the audits. As such the audits reviewed have been for those organisations who perhaps have less challenging governance issues.

The Assistant Director of Corporate Governance and Strategic Financial Management made reference to paragraphs 2.6, 2.7 and 2.8 of the report which highlights the Quality Assurance Division and its importance.

Resolved:

That the contents of the latest FRC position paper and report be noted.

11

CIPFA AUDIT COMMITTEE GUIDANCE DOCUMENTS 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. The Committee was advised that the Appendices referred to in the report were copyright protected and, therefore, had not been published as part of the Agenda. They had been shared separately for that reason; Minute no. 14 of these minutes refers.

During 2022, CIPFA has 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.
- Interactive Appendix E - Self-assessment of good practice.
- Interactive 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.

Resolved:

That the Committee

1) Noted the release by CIPFA of a suite of documents relevant to the work of the Committee; and

2) 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.

12 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2022/23**

The Assistant Director of Corporate Governance and Strategic Financial Management presented a report which sets out the proposed schedule of Audit Committee meetings for the remainder of 2022/23, including meeting date and venue, agenda item and brief summary of the report issue.

Resolved:

That the proposed workplan be noted.

13 **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 1 and 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

14 **CIPFA AUDIT COMMITTEE GUIDANCE DOCUMENTS 2022 - APPENDICES**

Members were advised that the report relating to CIPFA Audit Committee Guidance Documents 2022 considered previously on the agenda, minute no 10 of these minutes refers, made

reference to Appendices which were copyright and could not be included in the Council's published reports on the Council's website. The appendices were shared separately with Members for that reason.

Resolved:
That the Appendices be noted.

15 **UPDATE ON THE CORPORATE RISK REGISTER**

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

Resolved:
That consideration of the report be deferred to the next meeting of the Committee.

16 **SENIOR INFORMATION RISK OWNER - UPDATE**

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

This is the half yearly update report of the Senior Information Risk Owner to the Audit Committee highlighting Information Security Incidents and related matters which have occurred from 1 April 2022 to 30 September 2022.

The Committee requested that the Information Risk Management Policy be circulated to Members for information.

Resolved:
That the content of the report be noted.

The meeting started at 6.00 pm and ended at 6.31 pm