

AUDIT COMMITTEE
16/01/2023 at 6.00 pm



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

Also in Attendance:

A. Ryans – Director of Finance

M. Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

K. Murray – External Auditor (Mazars LLP)

J. Miller – Head of Internal Audit and Counter Fraud

V. Gallacher – Head of Insurance and Information Management

L. Walsh – Finance Manager (Capital and Treasury)

P. Thompson – Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Alyas.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **MINUTES OF PREVIOUS MEETING**

Resolved:

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

5 **PUBLIC QUESTION TIME**

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

6 **EXTERNAL AUDIT PROGRESS REPORT**

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

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

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

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

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

Resolved:
That the report be noted.

7

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

The Committee considered a report of the Director of Finance which advised members that the Public Sector Audit Appointments (PSAA) was responsible for appointing an External Auditor from 2023/24 to eligible bodies that have chosen to opt into its national auditor appointment

arrangements. As previously agreed by Members, Oldham Council had opted into this arrangement.



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

Resolved:

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

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

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

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

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

Resolved:

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

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

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

The Committee was advised that the Council was required, through regulations supporting the Local Government Act 2003, to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's

capital investment plans are affordable, prudent and sustainable. The Council was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.



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

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

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

Resolved:

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

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

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

10

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

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

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

Resolved:
That the report be noted.

11

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

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



Resolved:

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

12

EXCLUSION OF PRESS AND PUBLIC

Resolved:

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following four items of business on the grounds that they contain exempt information under paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

13

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

The Committee considered a confidential report of the Director of Finance which updated Members on the progress made to reduce the risk of issues arising for the Council to address, where matters were identified as areas requiring improvement in internal control within the draft Annual Governance Statement for 2021/2022.

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

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

Resolved:

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

14

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

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

The Audit Committee's meeting held on 21st July 2022 had considered a report on Partnership Governance within the Council. The report had highlighted that within the present Housing Strategy one option the Council would look at was the

benefits/risks of setting up its own Housing Development Company. When considering this matter, it was requested that a report be produced to a future meeting of this Committee on the perceived risks to the Council if it proceeds with setting up such a company. The submitted report therefore contained the following details linked into the perceived risks as per the report author associated with setting up a Housing Company:

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

Resolved:

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

15

PARTNERSHIP RISK DASHBOARD

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

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

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

Agenda; Local Government Association; and Residual Commitments.



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

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

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

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

Resolved:

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

16

UPDATE ON THE CORPORATE RISK REGISTER

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

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

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



Resolved:
That the report be noted.

The meeting started at 6.00pm and ended at 7.40pm