

AUDIT COMMITTEE
28/03/2023 at 6.00 pm



Present: Mr. Grenville Page (Independent Chair)
Councillors Ahmad, C. Gloster, Islam and Ball

Also in attendance:

Anne Ryans	Director of Finance
Mark Stenson	Assistant Director of Corporate Governance and Strategic Financial Management
Karen Murray	Mazars LLP – External Auditors
John Miller	Head of Internal Audit and Counter Fraud
Victoria Gallacher	Head of Insurance and Information Management
Lee Walsh	Finance Manager (Capital and Treasury)
Peter Thompson	Constitutional Services

1 **INDEPENDENT CHAIR OF THE AUDIT COMMITTEE**

The Assistant Director of Corporate Governance and Strategic Financial Management reminded the Committee that Mr. Grenville Page had been appointed Independent Chair of the Audit Committee for a 4-year term ending at the end of the 206/27 Municipal Year. Mr Page attended the meeting and introduced himself. Accordingly, Members of the Committee and Officers present introduced themselves.

Mr Grenville Page in the Chair.

2 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Alyas and Councillor Arnott.

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**

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

6 **MINUTES OF PREVIOUS MEETING**

Resolved:

That the Minutes of the meeting of the Audit Committee, held 16th January 2023, be approved as a correct record.

7 **AUDIT COMPLETION REPORT**

The Committee considered a report of the Director of Finance which advised members that, following the 2021/22 Statement of Accounts audit, the Council's External Auditor, Mazars LLP, had prepared a draft Audit Completion Report (ACR). 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 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.

Resolved:

1. That the Committee notes: the content of the draft Audit Completion Report and the positive nature of the commentary; the response to the recommendation highlighted by the Council's External Auditor, Mazars LLP, in the draft Audit Completion Report; and how the Council has implemented the recommendation.
2. That authority be delegated to the Chair of the Committee, in consultation with the Director of Finance, to approve and sign off the 2021/22 Statement of Accounts should the only adjustment required relate to the GMPF audit.

The Committee received a report of the Director of Finance which reminded Members that this Committee was the body that was charged with scrutiny and approval of the authority's Statement of Accounts. The submitted report presented an update on the current position regarding the audit and approval of the 2021/22 Statement of Accounts.



The report presented an update on the Council's Statement of Accounts for the financial year 2021/22 and highlighted the current progress of the audit of the 2021/22 accounts by Mazars LLP. The report also advised on developments regarding the preparation and review of the Whole of Government Accounts for both 2020/21 and 2021/22, providing an update on the Department for Levelling Up, Housing & Communities (DLUHC) consultation on Infrastructure Assets. The Director of Finance also highlighted the low priority recommendation highlighted in the Council's Draft Audit Completion Report (ACR).

The Council 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 public inspection period began on 1 June 2022 and concluded on 14 July 2022.

The audit of the accounts commenced on 6 June 2022 and was moving to a conclusion. To facilitate the audit process, the Council made working papers available to the auditors at an early stage and as part of the Council's interim audit during the financial year. All queries were dealt with as promptly as possible.

There was one outstanding audit item that still needed to be completed by the External Auditor. The outstanding item 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. This has resulted in an understatement of the Pensions Fund asset valuations. The External Auditor estimated that the potential impact on the Council's financial statements for 2021/22 would be either material or close to materiality for the Council. To accurately assess the impact for the Council, input was required from the actuary and GMPF. To reach a resolution, discussions were being held between Mazars LLP, GMPF and the actuary.

Resolved:

That the Committee notes the update on the audit of the Council's Statement of Accounts for 2021/22 and related matters.

9

PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS FOR THE 2022/23 FINAL ACCOUNTS

The Committee considered a report of the Director of Finance which advised 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 advised Members 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 - a copy of the policies was attached at Appendix 1 to the submitted report. There had been no changes from the amended policies (updated for the Infrastructure Asset Statutory Override, that was used to prepare the 2021/22 Statement of Accounts.

During the 2021/22 final accounts process, the accounting policy related to Infrastructure Assets (included within policy 1.2 Property, Plant and Equipment) was updated in accordance with the temporary relief offered by the Update to the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the statutory override following the amendment to Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022. This allowed the Council to treat the value of any replacement component of infrastructure assets as nil, without the need for further evidence and is in response to an issue with regards to the valuation of Infrastructure Assets, relating to component accounting and how Local Authorities have been dealing with de-recognising infrastructure expenditure.

In terms of 'Critical Judgements' the Director of Finance informed 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. These were shown at Appendix 2 of the report.

Critical Judgements included details of which schools' property, plant and equipment and PFI information should be included on the Council's balance sheet, which entities fall within the Council's group boundary and which organisations should be included within the Council's group accounts and how properties should be classified as investment property.

The Critical Judgements note had been reviewed for 2022/23 and this had resulted in the removal of the judgement related to Manchester Airport Group, the treatment of which was covered within the Council's accounting policies. There have been no further significant changes compared to the 2021/22 Critical Judgements note, that had previously been reported to the Committee.

Resolved:

1. That the Committee approves the Council's proposed accounting policies, to be adopted in completing the 2022/23 Statement of Accounts.
2. That the Committee notes the critical judgements made by management when producing the Statement of Accounts.

10

AUDIT OF HOUSING BENEFIT SUBSIDY

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 for the financial year 2021/22.

The Committee was informed that KPMG LLP had undertaken the audit of the Housing Benefit Subsidy Claim. Annex 1, to the submitted report, included a report prepared by the officer of KPMG LLP who led the audit process. The report advised of: Work undertaken - which encompassed testing in relation to twenty individual cases linked to specific cells on the claim form and focussed testing of over 180 additional cases; and Findings - there was one classification error of £117 which had been extrapolated to £708 using the prescribed Department of Work and Pensions methodology, there was also six observations that had been made and a requirement to amend the Housing Subsidy Claim form.

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.

Resolved:

That the report be noted.

11

INTERNAL AUDIT CHARTER 2023/24

The Committee considered a report of the Head of Audit and Counter Fraud, which advised Members of the proposed Internal Audit Charter for 2023/24.

The work of Internal Audit at Oldham Council has been governed by the UK Public Sector Internal Audit Standards (PSIAS) since 1st April 2013 (updated in March 2017). The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all Internal Auditors working in the UK public sector.

PSIAS requires that the "Internal Audit Charter" should define the mission, purpose, authority and responsibility of the Internal Audit function and its position within the organisation. The 2017 External Assessment report by CIPFA contained two recommendations in connection with the form and contents of this Charter, which were fully agreed and implemented by the Assistant Director of Corporate Governance and Strategic Financial Management in 2018/19 and subsequently in this latest Charter by the Head of Audit and Counter Fraud.

In accordance with the PSIAS external assessment, the following changes were made to the 2018/19 Audit Charter and these are to be retained in the attached 2023/24 Audit Charter, as follows:

- i. The “Mission of Internal Audit” replaced the role and purpose, which was clarified in the Charter.
- ii. The Audit Charter incorporated a statement to confirm whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council.

As part of his annual review during 2023, the Head of Audit and Counter Fraud, had reviewed the Internal Audit Charter to ensure that it was in-line with latest guidance. The proposed 2023/24 Internal Audit Charter was attached, for Member’s information, at Appendix 1, to the report. This latest iteration of the Audit Charter contained two further changes: Clarification on the role and purpose of audit assurance reviews and consultancy assignments; and clarification on how conflicts of interest were to be resolved should these arise.

Resolved:

That the Committee approves the Internal Audit Charter, effective from 1st April 2023.

12

UPDATE ON GENERAL MATTERS

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 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.



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Resolved:

1. That the report be noted.
2. The Committee places on record its appreciation of the work that Karen Murray has carried out during her time as Oldham Council's Audit Partner.

13 **UPDATE ON WORK PROGRAMME 2023**

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.

14 **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, as defined 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.

15 **2023/24 INTERNAL AUDIT AND COUNTER FRAUD PLAN**

The Committee considered a report of the Head of Audit and Counter Fraud which provided details of the proposed Internal Audit and Counter Fraud Plan for the 2023/24 financial year.

The Committee was informed that the work of Internal Audit at Oldham Council was governed by the UK Public Sector Internal Audit Standards (PSIAS) 2013 (Revised 2017). The Standards comprise a definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards were mandatory for all internal auditors working in the UK public sector. The Council's Head of Audit and Counter Fraud is required, at least annually, to submit to the authority's senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan should be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee.

The submitted report summarised the work planned to be carried out by the Council's Audit team from 1 April 2023 to 31 March 2024. The plan had been compiled based on insight and information from a variety of sources including the Council's: Annual Audit Needs Assessment; Corporate Plan; Strategic Corporate and Service Risk Registers; and Fraud and Loss Risk Assessment. Information and intelligence provided by senior officers of the Council, including the Authority's S151 Officer, had also been utilised in compiling the audit plan for 2023/24.

The Plan also continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2023/24 audit of the financial accounts, and the requirements of the S151 Officer in the discharge of her responsibilities.



The plan also focused audit resources on key themes that had been identified in the Council's Corporate Plan 2022 - 2027 (which was formally adopted by the Council on 7th September 2022) and which highlighted the following five key themes:

- a. Healthy, safe and well supported residents.
- b. A great start and skills for life.
- c. Better jobs and dynamic businesses.
- d. Quality homes for everyone.
- e. A clean and green future.

Resolved:

That the 2023/24 Audit and Counter Fraud Plan, as detailed in the submitted report, be approved.

16

UPDATE ON CORPORATE RISK REGISTER

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. 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.

Resolved:

That the report be noted.

17

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

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.

It was reported that the Council, as part of its draft Statement of Final Accounts for 2021/22, produced an Annual Governance Statement. The Annual Governance Statement helped to identify the significant governance issues that the Council needs to consider in the 2023/24 financial year to reduce its risk. Appendix 1, to the report, detailed the issues reported in the 2021/22 Annual Governance Statement and the actions taken

so 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. A report updating the Annual Governance Statement to support the final version of the 2021/22 Statement of Final Accounts was planned to be submitted to a future meeting of the Audit Committee following the formal resolution of the Pension Valuation issue.

Resolved:

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

18

SENIOR INFORMATION RISK OWNER UPDATE

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 1st April 2022 to 19th March 2023.

Resolved:

That the report be noted.

The meeting started at 6.00pm and ended at 7.15pm