

**AUDIT COMMITTEE**  
**20/07/2023 at 6.00 pm**



**Present:** Mr. G. Page (Independent Chair)  
Councillors Al-Hamdani, S. Bashforth, Birch, Davis, Ghafoor and Salamat

Also in Attendance:

Anne Ryans – Director of Finance  
Jayne Ratcliffe – Director of Adult Social Care  
Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management  
Hayley Eccles – Assistant Director of Adult Social Care  
Lee Walsh – Finance Manager (Capital and Treasury)  
John Miller – Head of Internal Audit and Counter Fraud  
Daniel Watson – Mazars LLP (External Auditors)  
Peter Thompson – Constitutional Services

**1            APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Akhtar, Sykes and Woodvine.

**2            URGENT BUSINESS**

The Committee was reminded that there was an outstanding issue from the meeting that was held on 8<sup>th</sup> June 2023: 'Appointment of Vice Chair' (minute 1 refers).

Resolved:

That Councillor Akhtar be appointed Vice Chair of the Audit Committee for the remainder of the 2023/24 Municipal Year.

**3            DECLARATIONS OF INTEREST**

There were no declarations of interest received.

**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 27<sup>th</sup> June 2023, be approved as a correct record.

**6            FINAL ACCOUNTS 2021/22 - PROGRESS UPDATE**

The Director of Finance verbally updated the Committee regarding the Council's 2021/22 Accounts. The 2021/22 accounts were unable to be formally signed off due to an outstanding external issue appertaining to the valuation of the Greater Manchester Pension Fund (GMPF). This issue was not unique to Oldham and was affecting the other authorities within the Greater Manchester footprint. However, revised accounts incorporating a change to the valuation of the GMPF as it relates to Oldham Council had recently been forwarded to Mazars LLP, the Council's External Auditor, for their consideration.

The representative from Mazars LLP, who was in attendance at this meeting of the Committee, advised Members, verbally, that there was still some outstanding work that they had to complete, in consultation with the Greater Manchester Pension Fund but he anticipated that a final outcome in relation to this matter would be submitted to the Committee's next scheduled meeting on 5<sup>th</sup> September 2023. It was noted that the Committee had received an interim Audit Completion Report in March and it was expected that the External Auditor would provide a letter to update the position in relation to the GMPF valuation.

Resolved:

1. That the Committee reconfirms its previous decision to grant authority to the Chair, in consultation with the Director of Finance, to approve and 'sign-off' the Council's 2021/22 Accounts, on the condition that the only revision relates to the valuation of the Greater Manchester Pension Fund,
2. An update is presented to Audit Committee's next scheduled meeting on 5<sup>th</sup> September 2023.
3. That the Council's external auditors, Mazars LLP, be requested to write to members of the Committee detailing the updated position in relation to the audit of the Authority's 2021/22 accounts when the accounts are ready for approval.
4. Due to the change in Committee membership, that Members of the Committee are provided with the Audit Completion Report that was presented to the Committee on 28<sup>th</sup> March 2023

7

## **REPORT OF THE EXTERNAL AUDITOR - 2022/23 AUDIT STRATEGY MEMORANDUM**

The Committee received a report that had been prepared by the Council's External Auditors, Mazars LLP, which presented the proposed Audit Strategy Memorandum for the financial year 2022/23.

The Audit Strategy Memorandum detailed proposed works to be undertaken by the external audit team on the 2022/23 Statement of Final Accounts including the opinion on the arrangements for securing Value for Money which was to be linked into the future financial resilience of the Council.

The report summarised the audit approach that Mazars were intending to take, highlighting significant audit risks and areas of key judgements and providing the Authority with details of the team that would undertake the work.

The Committee was informed that it was a fundamental requirement that an auditor is, and should be seen to be, independent of its clients, therefore Section 8 of the submitted report also summarised their considerations and conclusions regarding their independence as auditors.

The report highlighted that it was considered that a two-way dialogue between themselves and the Council would be a key factor in ensuring a successful audit. Other mutual responsibilities included sharing information to assist each party in fulfilling their respective responsibilities.

Mazars were undertaking to provide Oldham Council with constructive observations arising from the audit process; and to ensure that they, as External Auditors, gain an understanding of the Council's attitude and views in respect of the internal and external operational, financial, compliance and other risks, which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Resolved:

That the Committee acknowledges and accepts the audit approach that Mazars were intending to take in respect of their work with Oldham Council.

8

### **2022/23 FUNDAMENTAL FINANCIAL SYSTEMS AUDIT OUTCOMES AND ACTION PLAN IN RESPECT OF DIRECT PAYMENTS AND COMMUNITY HOME CARE**

The Committee considered a joint report of the Director of Adult Social Care and the Head of Internal Audit and Counter Fraud, which advised Members of the outcome of the 2022/23 Fundamental Financial Systems (FFS) Audit Review of Direct Payments and Community Home care and the agreed actions for the Adult Social Care Service to take forward, to address the recommendations made in that report.

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

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

The report presented to the Committee therefore established 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. Six of the ten recommendation made in 2022/23 had been made in previous audit reports and remained outstanding. Four of these recommendations were high priority recommendations, and two are medium priority.

Resolved:

That a report outlining progress in relation to the agreed actions outlined in the report be presented for Members to consider at the Audit Committee meeting in January 2024.

## UPDATE ON GENERAL MATTERS

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which brought to the attention of Members the following issues:

- 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 included 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. A 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 could 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.

The issues detailed above (a – f), 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<sup>th</sup> June 2023, highlighted that there was 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 were some high-profile cases where, due to poor financial management, four Authorities had become reliant on capitalisation directions from Central Government to enable them to set balanced budgets. As interest rates continued to increase it was possible that other Authorities who had invested large amounts in commercialisation projects compared to their annual revenue budget, would 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 were unable to manage their finances within the resources

available to them. Whilst, it was reported, the Audit Committees in the four Authorities could not have prevented past events, they should have acted as an important check and balance in providing challenge.

The events, detailed above, could potentially impact on the work of both the Audit Committee and the Council's four Scrutiny Boards in the future and all relevant information was therefore included in the Committee's report, so that Members were as well briefed as possible on matters pertinent to their role.

Resolved:

That the Committee approves and endorses the approach undertaken by the Assistant Director of Corporate Governance and Strategic Financial Management, in respect of dealing with the issues outlined in the report.

10

### **SELF-ASSESSMENT OF THE WORK UNDERTAKEN BY THE AUDIT COMMITTEE DURING 2022/23 COMPARED TO THE CONSTITUTION**

The Committee received a report that had been prepared by the Assistant Director of Corporate Governance and Strategic Financial Management which explained that the first stage of producing the Audit Committee's Annual Report to Council was to undertake a review of the work that had been undertaken during 2022/23 and to assess how it aligned to the Committee's Terms of Reference as set out in the Council's Constitution.

The requirement to produce an Annual Report was set out in updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of Audit Committees in 2022. This was highlighted as good practice to Members of the Committee in a recent training session that they received, outlining the roles and responsibilities of the Audit Committee.

The Assistant Director's report therefore set out a summary of the guidance. Firstly, this included setting out the key documents that will influence how Oldham Council's Audit Committee should operate to follow best practice going forward and the Committee was advised that a further report was planned for consideration at the next scheduled meeting on 5<sup>th</sup> September 2023. Secondly, the report explained how the Committee's work during 2022/23 aligned to the Committee's Terms of Reference, as set out in the Council's Constitution.

The self-assessment detailed how during the financial year 2022/23 the Audit Committee reviewed the eight key tasks that had been 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

Resolved:

That the self-assessment of the work undertaken by the Audit Committee during 2022/23, compared with the agreed Terms of Reference as set out in this report, be endorsed.

11 **TREASURY MANAGEMENT UPDATE QUARTER 1  
MONITORING REPORT**

The Director of Finance reported that this item had been withdrawn from the agenda and would be considered at a future meeting of the Committee.

12 **REVISION TO FINANCE PROCEDURE RULES**

The Committee considered a report of the Director of Finance which explained that there was a requirement to review the Financial Procedure Rules (FPRs) on a regular basis. Such a review had recently been concluded and the consequent revised FPRs were therefore presented for consideration.

If the Audit Committee were content to accept the revisions, the FPRs would subsequently be presented to Council for formal approval. The Audit Committee's Terms of Reference stated that that the Audit Committee should '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.'

The Director of Finance reported that officers from the Finance and the Internal Audit Teams had recently undertaken a detailed review of FPRs. This resulted in a range of proposed changes to improve the FPRs so that they better reflected both the current operating arrangements of the Council and best practice.

The existing FPRs had served the Council well and remained fully functional, the document at Appendix 1, of the report, highlighted the proposed changes and the document at Appendix 2 was the amended version that was recommended for approval. The summary of changes was extensive with four general changes and 15 specific changes. Whilst some of the amendments are quite small, they were equally important. It was, however, considered to be essential that the Council's FPRs reflect best practice and were updated to capture recent local and national changes.

Whilst generally content to approve the proposed revisions, Members of the Committee requested three additional changes to the FPRs:

- A slight wording amendment at 1.26 to reflect the correct role of the Audit Committee

- The inclusion of reference to a community asset transfer in relation to the disposal of an asset (paragraph 8.3)
- Specific reference at paragraph 20.7 and 20.9 that offering a loan or any grant must clearly demonstrate how it would support the delivery of Corporate Objectives.

Resolved:

That the Audit Committee approves the revisions to the Financial Procedure Rules (subject to the 3 changes requested by the Committee) and commends the document at Appendix 2 of the report, to Council for formal approval.

13

### **AMENDMENTS TO CONTRACT PROCEDURE RULES AND PROPOSED FUTURE REVISIONS**

The Director of Finance presented a report which explained that there was a requirement to review the Contract Procedure Rules (CPRs) on a regular basis. The Committee were advised that such a review had recently concluded and the consequent revised CPRs were presented to Council and approved on 12<sup>th</sup> July 2023.

However, after a further review, the Director of Finance was recommending further revisions as presented in her submitted report. If the Audit Committee were content to accept the revisions, the CPRs would then be presented to Council for formal approval. The Committee were advised that their Terms of Reference stated that the Audit Committee should 'review Financial Procedure Rules and Contract Procedure Rules and make recommendations to the Council as to any changes considered necessary to those documents and procedure.'

The Director of Finance informed the Committee that a recent detailed review of CPRs had been undertaken by officers from the Procurement, Legal, Finance, and the Internal Audit Teams. This review had resulted in a range of proposed changes to improve the CPRs which were agreed so that they reflect both the current operating arrangements of the Council and best practice.

Whilst it would be possible to update the existing CPRs again next year, officers considered it to be prudent to consider a further small number of further revisions which were detailed in the Director of Finance's report.

Members were content to approve the report subject to the inclusion of a new to require that on an annual basis the record of authorised exemptions to CPRs maintained by the Head of the Commercial Procurement Unit, should be reported to the Audit Committee.

Resolved:

1. That the Audit Committee notes the CPRs agreed at full Council, on 12<sup>th</sup> July (detailed at Appendix 1 of the submitted report).

2. That the Audit Committee endorses the proposed revisions to the Contract Procedure Rules (subject to the inclusion of a new paragraph as requested by the Committee) and commends the document (attached at Appendix 2), to a future meeting of the Council for formal approval.
- 3.

14

## **2023/24 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered a report of the Head of Internal Audit and Counter Fraud which summarised work that had been carried out by the Internal Audit team during the first quarter period of 2023/24 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

The terms of reference for the Audit Committee stated that the Committee shall 'be responsible for oversight of the Council's Internal Audit arrangements' and also that it should 'review summary findings and the main issues arising from internal audit reports and seek assurance that management action has been taken where necessary', therefore the Committee's report provided 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 was presented to assist the Committee in discharging its responsibilities.

During this period the team had 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:

1. Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants received.
2. 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.
3. Issuing a briefing note on Postal Voting integrity checks during the election in May 2023.
4. The commencement of audit reviews of Street Lighting and Energy Management Functions.
5. 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<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

Resolved:



That the Committee endorses and supports the audit activities and work detailed in the 2023/24 Internal Audit and Counter Fraud Progress Report.

15            **AUDIT COMMITTEE WORK PROGRAMME FOR 2023/24**

Members considered the Audit Committee's Work Programme for 2023/24.

Resolved:

That the Audit Committee' Work Programme for 2023/24 be approved with the inclusion, in January 2024, of the additional item related to the progress in addressing the key actions identified in the Fundamental Financial Systems audit of Direct Payments and Community Home Care.

16            **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 two 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.

17            **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2022/23 AND NEW ISSUES FOR 2023/24**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members on the Annual Governance Statement for 2022/23 and new issues by outlining 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 2022/23 and, secondly by highlighting any new issues which would be considered if the Annual Governance Statement was to be produced as at 30<sup>th</sup> June 2023.

Appendix 1, of the report, detailed, issues that were reported in the 2022/23 Annual Governance Statement and the actions taken so far during the 2023/24 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.

Appendix 2, of the report detailed new issues that maybe considered for inclusion in the draft 2023/24 Annual Governance Statement should it have been produced before 30<sup>th</sup> June 2023. It also gave an opinion on the present risk at the production of the Annual Governance Statement based upon a RAG rating.

Resolved:

That the Committee endorses and supports the progress made on the issues identified in the 2022/23 Annual Governance

Statement and the potential new issues which could be included in future productions of the Statement.



**Oldham**  
Council

18

### **UPDATE ON THE RISK MANAGEMENT STRATEGY AND FRAMEWORK AND CORPORATE RISK REGISTER**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the Risk Management Framework, Risk Management Strategy and Corporate Risk Register updated as at the end of June 2023. As the Committee charged with governance it is part of the role of the Audit Committee to scrutinise the Corporate Risk Register, on a regular basis.

The Committee was advised that the Council has an agreed Risk Management Strategy and Framework which was reviewed in early July 2023. Only minor formatting changes were made as part of the review. Risks were linked to the Business Planning process and were refreshed quarterly by services.

Resolved:

That the Committee approves the reviewed Risk Management Strategy, Risk Management Framework and Corporate Risk Register, as detailed in the submitted report.

19

### **ASSISTANT DIRECTOR OF CORPORATE GOVERNANCE AND STRATEGIC FINANCIAL MANAGEMENT**

The Chair referred to the impending retirement of the Assistant Director of Corporate Governance and Strategic Financial Management, Mr Mark Stenson. On behalf of the Committee the Chair thanked Mr. Stenson for his outstanding contribution to Oldham Council, over many years and expressed best wishes for his forthcoming retirement.

The meeting started at 6.00pm and ended at 8.00pm