

Report to Audit Committee

Annual Report of the Audit Committee to Council

Portfolio Holder: Councillor Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

5 September 2023

Purpose of Report

Attached to this report is the proposed Annual Report of the Audit Committee to be submitted to a future meeting of full Council.

Executive Summary

It is considered good practice for the Audit Committee to submit an annual report to full Council. The attached Appendix 1 details the annual report which it is proposed, subject to comment from this Committee, to present to a future meeting (currently planned for 1 November 2023) of full Council.

The report will be presented by the Director of Finance.

Recommendations

That Members of the Audit Committee comment on the proposed Annual Report and endorse its submission to a future meeting of the Council

Appendix 1

Report to Council

Annual Report of the Audit Committee to Council

Portfolio Holder: Cllr Abdul Jabbar MBE, Cabinet Member for Finance and Corporate Resources

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance

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1 November 2023

Reason for Decision

The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management. This report has been prepared for full Council to advise of the work undertaken by the Committee in the financial year 2022/23 and for Council to note the views of the Committees on internal control.

Executive Summary

To discharge its role, the Audit Committee met on eight separate occasions during the municipal year 2022/23 undertaking the work detailed in Section 2 of this report. During 2022/23 it was also possible to recruit an independent chair to the Audit Committee who commenced the role on 1 March 2023.

The Committee's work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, and the review of the annual Statement of Accounts. This report summarises the work undertaken by key programme area for the financial year 2022/23

This report is to inform Members of the work of the Audit Committee in the previous financial year and to note the observations of the Committee on the standard of corporate

governance, internal control, the production of the Statement of Accounts, risk management, information governance and internal audit in 2022/23.

Recommendation

That Council accepts the Annual Report of the Audit Committee.

1 Background

- 1.1 The Council's Audit Committee is a key component of this Authority's governance framework. Its function is to provide an independent review and assurance role to support good governance and sound public financial management.
- 1.2 The purpose of the Committee is to provide, to those charged with governance, independent assurance on the adequacy of the internal control environment / governance processes, integrity of financial reporting and adequacy of the risk and information management framework.
- 1.3 To discharge its role, the Audit Committee met on eight separate occasions during the municipal year 2022/23 undertaking the work detailed in Section 2 of this report. During 2022/23 it was also possible to recruit an independent chair to the Audit Committee who commenced in the role on 1 March 2023.

2 Work Programme in 2022/23

- 2.1 The Committee's work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud and corruption, Treasury Management, Information Governance, and the review of the annual Statement of Accounts.
- 2.2 The paragraphs below outline the work undertaken in each of the key areas of responsibility.

Statement of Accounts

- 2.2.1 The Council produced its draft Statement of Accounts for the financial year 2021/22 in advance of the statutory deadline for submission to the External Auditor and the accounts were considered by the Audit Committee at its meeting on 21 June 2022. Whilst not a statutory requirement for the Audit Committee to review the draft Statement of Accounts it is considered good practice that appropriate scrutiny occurs at this stage. It provides Members with the opportunity to ask detailed questions and seek assurances before the accounts are finalised.
- 2.2.2 To support the review of the Accounts, the 9 June 2022 meeting considered the responses of the Director of Finance to key questions asked by the External Auditor, on the preparing of the accounts and the control environment. At this same meeting, the Committee agreed its own response to the External Auditor on this matter.
- 2.2.3 The challenges of local public audit within local government have been well documented in the press and subject to review by both the Public Accounts Committee and the Department of Levelling Up, Housing and Communities Select Committee. The approval of the 2021/22 accounts could not be concluded in 2022/23. The initial reason for this was the audit could not be concluded until a statutory override was in place in relation to the valuation of infrastructure assets. The statutory instrument was not enacted until 25 December 2022, and so the audit opinion could not be achieved by the statutory deadline of 30 November 2022.
- 2.2.4 Whilst the infrastructure asset issue was being resolved from an audit perspective, an added issue which delayed the audit opinion was linked into the triennial valuation of the

Greater Manchester Pension Fund which, for Oldham, had a material impact. As such it was not possible for the Committee to approve the accounts which will now be approved in the financial year 2023/24. The Committee received updates on the progress of the audit at every subsequent meeting in 2022/23 and this has continued into 2023/24.

Audit Completion Report

- 2.2.5 At its meeting on 28 March 2023 the Audit Committee considered the Draft Audit Completion Report produced by the External Auditor to the Council (Mazars LLP) which set out the draft findings of the 2021/22 audit of the draft Statement of Accounts (only the pensions issue detailed in paragraph 2.2.4 remained outstanding). Overall, the findings of the External Auditor continue to be positive including the value for money judgement as per previous financial years, reflecting the good practice adopted by Oldham in preparing its accounts and in its stewardship of public funds.

Reserves Policy

- 2.2.6 Linked into the approval of the Final Accounts and the ongoing financial resilience of the Council, the Audit Committee reviewed the proposed Reserves Policy at its meeting on 21 June 2022 alongside the draft Statement of Accounts. The Audit Committee considered that the Reserves Policy was appropriate based upon the 2021/22 Accounts.

Annual Governance Statement and Local Code of Corporate Governance

- 2.2.7 The main purpose of the Annual Governance Statement (AGS) is to provide the necessary assurance that a reliable framework is in place for the financial year that aligns to the Statement of Accounts. A separate report on the Annual Governance Statement for 2021/22 was presented alongside the draft Statement of Accounts at the meeting on 21 June 2022. Throughout the municipal year regular updates were submitted to the Committee outlining the progress made on the key issues for improvement that had been identified and whether there were further issues to inform the production of the AGS for 2022/23. The Annual Governance Statement complies with the framework set out in the Chartered Institute of Public Finance and Society of Local Authority Chief Executives (CIPFA/SOLACE) guidance. The conclusion supported by the work of the External Auditor was that the statement meets the requirement set out in the CIPFA/SOLACE guidance.
- 2.2.8 The Committee also reviewed the Local Code of Corporate Governance at its meeting on 9 June 2022. It is considered good practice to review the Code as a minimum every two years.

Partnership Governance

- 2.2.9 An emerging challenge for all Councils to consider is whether they have appropriate oversight from a governance perspective over the partnerships in which they have a financial and operational interest. There have been several matters reported in the public domain which has highlighted that in other public bodies those charged with the provision of this oversight have not fully understood the risk. The Audit Committee therefore considered reports on 21 July 2022 and 29 November 2022 on the wider risks from all entities in which the Council had an interest. The view was that at present there were no significant concerns about the partnerships operated by the Council
- 2.2.10 The Audit Committee at its meeting on 1 November 2022 considered a report outlining the potential risks which could arise as the Northern Roots (Oldham) Charitable Company continued to develop. The Committee recognised that as the Company expanded it had the

potential to change the Council's current risk profile on partnerships. Going forward the Committee recognises the need to provide appropriate oversight in this area and the need to work with the scrutiny function to provide oversight.

Internal Audit and Annual Report of the Chief Internal Auditor

- 2.2.11 The Internal Audit service was provided in-house during 2022/22 with specialist support from Salford City Council for computer audit. The Committee received regular updates on the progress against the Internal Audit Plan and an update to the Audit Charter at its meetings on 9 June 2022 and on 28 March 2023. At its meeting on 21 July 2022, it reviewed the system of internal audit for the financial year 2021/22 in line with good practice. In accordance with expected professional standards, which requires a review of the Internal Audit Service every five years, CIPFA were commissioned to undertake an External Quality Assurance review which was completed in March 2023. This reviewed whether Internal Audit Practices adopted by the Service in Oldham conformed with the requirements of the Public Sector Internal Audit Standard. The outcome, which was reported in the municipal year 2023/24 was that the Service "Generally Conforms to the Standard". As such the work undertaken by internal audit is in line with best practice as "Generally Conforms to the Standard" is the highest rating.
- 2.2.12 At the meeting which considered the draft Statement of Accounts on 21 June 2022, the Audit Committee considered the Annual Report of the Head of Audit. This highlighted that the overall control environment was adequate. The report did however highlight the challenges associated with the internal control environment in Adult Social Care and Payroll Processing.

Treasury Management

- 2.2.13 Recent corporate failings of other local authorities reported in the public domain have identified the importance of appropriate independent scrutiny of Treasury Management which is therefore a key task of the Audit Committee. The meetings of the Audit Committee were timetabled so that it could provide this scrutiny before key Treasury Management reports were approved by Cabinet and subsequently by Council.

Senior Information Risk Owner (SIRO)/ Information Governance

- 2.2.14 Another key role in the Governance Framework is the SIRO who considers the Council's risks in relation to information governance and when information is disclosed, often inadvertently, to an individual who has no right to access that data. This role is undertaken by the Director of Finance who submits a half yearly report to the Audit Committee detailing breaches. The Council is one of a small minority of Council's that prepare such a report, which is considered best practice.

Risk Management

- 2.2.15 The Audit Committee reviewed the Council's risk management arrangements during the year. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the Authority. In particular, the Audit Committee concentrated on reviewing the Corporate Risk Register. No significant concerns were highlighted from the review.

3 Opinion

- 3.1 There are two options as follows:

- a) Accept the Annual Report of the Audit Committee.
- b) Reject the Annual Report of the Audit Committee and request an alternative style of report.

4 Preferred Option

- 4.1 Option (a) at 3.1 is the preferred option, that the proposed Annual Report of the Audit Committee is accepted by Council.

5 Consultation

- 5.1 There has been consultation with the Audit Committee on the preparation of this report.

6 Financial Implications

- 6.1 There are no specific financial implications arising from this report.

7 Legal Services Comments

- 7.1 There are no direct legal implications arising from the report.

8 Co-operative Agenda

- 8.1 The Annual Report of the Audit Committee has been prepared to support the Council in its delivery of the cooperative agenda.

9 Human Resources Comments

- 9.1 There are no specific human resources implications.

10 Risk Assessments

- 10.1 The Council is required to prepare an Annual Report on the operation of its Audit Committee. The report does not identify any specific risks to identify to full Council.

11 IT Implications

- 11.1 There are no specific IT implications.

12 Property Implications

- 12.1 There are no specific property implications.

13 Procurement Implications

- 13.1 There are no specific procurement implications.

14 Environmental and Health & Safety Implications

- 14.1 There are no specific Environmental and Health & Safety Implications.

15 Equality, community cohesion and crime implications

- 15.1 There is no specific equality, community cohesion and crime implications.

16 Equality Impact Assessment Completed?

16.1 N/A.

17 Key Decision

17.1 No.

18 Key Decision Reference

18.1 N/A

19 Background Papers

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Report to the Audit Committee of 20 July 2023
Self-Assessment of the work undertaken by the Audit Committee during the 2022/23 compared to the Constitution 2023/24 (link below)

<http://decisionrecording.oldham.gov.uk/documents/s139970/5.%20Self%20Assessment%20of%20the%20work%20undertaken%20by%20the%20AC%20during%202022-23%20compared%20to%20the%20constitution.pdf>

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20 Appendices

20.1 N/A