

AUDIT COMMITTEE
28/11/2024 at 6.00 pm

Present: Councillors Al-Hamdani, Arnott, Aslam, Davis, S. Hussain, Rustidge and Wilkinson

Independent Chair- Grenville Page

Also in Attendance:

Chris Kelsall- Assistant Director of Finance

John Miller-Head of Audit and Counter Fraud

Victoria Gallacher-Head of Insurance and Information Governance

Yogita Das-Patel Mazars LLP -External Auditors

Hayley Eccles- Assistant Director of Operations- Adult Social Care

Durga Paul- Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr Sykes, Jayne Ratcliffe and Sarah Johnston.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions to consider at this meeting.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that, the Minutes of the meeting of the Audit Committee, held on 27th June 2024, be approved as a correct record.

6 **UPDATE ON EXTERNAL AUDIT MATTERS**

The Audit Committee heard from External Auditors, on the Audit Strategy Memorandum and the Audit Progress Report. A summary of the reports was provided with particular focus on Significant risks, key audit matters and other key judgement areas.

In response to member queries, auditors confirmed that Completion Report is on schedule to be brought to the Audit Committee meeting in January 2025, with the follow up letter for closure of accounts scheduled for March 2025.

Members questioned the significant increase in Audit fees from to 2023/24 to proposed fees in 2024/25. External Auditors confirmed that the increase is a reflection of the national increases, fees are set nationally and not by individual auditors.

The increase is a result of ongoing backlog issues and staff moves to the private sector.

External Auditors noted Member requests for more detail in the progress report in the future.

The Board noted the intention to seek approval in January's Audit Committee Meeting to delegate powers to Officers to approve reports in February ahead of the March Audit Committee Meeting. The delegation of powers will be formalised in January 2025's Audit Committee Meeting.

RESOLVED that, the Audit Committee note the Audit Strategy Memorandum and the Audit Progress Report.

7

UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2023/24

The Audit Committee received an update on the Annual Governance Statement for 2023/24 from the Assistant director of Finance. The report Officers highlighted the 6 Significant Governance Issues and Risks Identified in the 2023/24 Annual Governance Statement.

1. Financial Resilience
2. New Public Procurement Regulations
3. Regeneration – Creating a Better Place
4. Health Integration
5. Partnership Governance
6. IT Security

The Committee heard of the mitigating actioned being taken for each of these issues with particular focus on Financial Resilience. Officers explained that the continuing demand pressures has led to a significant forecast overspend for 2024/25 which is being addressed through management actions outlined in the budget monitoring reports presented to Cabinet. This includes the acceptance of several voluntary redundancy applications. The financial outlook for 2025/26 will remain uncertain until the details are provided when the Local Government Finance Settlement is announced. The budget on 30 October identified additional resources for Local Government but the implications for Oldham Council are not yet announced. A further update will be provided to Cabinet on 16 December prior to budget proposals being presented to the Governance, Strategy & Resources Scrutiny Board on 29 January 2025.

Members discussed the additional resourcing that would be available to Local Governments and queried whether this would be a result of the flexible approach to Council Tax that is being introduced which would allow Oldham to claim more Council Tax from residents. Officers explained that they understand Council Tax would remain unchanged next year, the funding would not be linked to Council Tax.

Members queried how much of the Councils' budget was funded by Council Tax. Officers were unsure of the exact figures but

have since the meeting confirmed that for 2024/25 Council tax provides 40% of the Council's net budget requirement

RESOLVED that, the Audit Committee note and endorse the Annual Governance Statement.

8

TREASURY MANAGEMENT MID-YEAR REVIEW 2024/25

The Audit Committee received the Treasury Management Mid-Year Review from the Assistant Director of Finance. The Council is required to consider the performance of the Treasury Management function to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice. The report sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first half of 2024/25 (External Context);
- Net Borrowing and Investments (Local Context);
- A review and updates of the Council's current treasury management position;
- Council Borrowing;
- Treasury Investment Activity;
- Treasury Performance for the first half of the year;
- Compliance;
- Treasury Management Prudential Indicators.

Key areas of the report were highlighted to members such as the Balance Sheet Summary with half-year review forecast figures, the Borrowing and Investment position of the Council.

Members queried the increase in interest rates in LOBO Loans and discussed the likelihood of these being called in. Officers explained that given the revised interest rate forecasts outlined in the report, the probability of the LOBO options being exercised is reduced but not eliminated.

In response to the information in the report detailing planned expenditure with a view to make future savings Members and Officers discussed the £2m redundancy package and investment into resources such as ICT and the Transformation programme.

The report required the Audit Committee

1. accept the recommendations of the Council's Treasury Advisers and change the MRP policy
2. to approve the use of up to £2.000m of capital receipts to fund the costs of voluntary redundancy payments.
3. 3 to approve both the change in MRP policy and the use of flexible capital receipts to fund the costs of voluntary redundancy payments.

Members and Officers discussed the change the MRP policy at length with Officers explaining the change and possible implications of it. Officers explained that the change to the policy

was a recommendation from an Independent Treasury Advisory and Management service.

Upon Member questioning, the External Auditor explained that they were satisfied that the decision to change the MRP Policy was in line with what would be expected for an authority like Oldham. There are arguments for and against the approach, but decisions should be made based on the need of the individual authority.

Members queried whether the Change to the MRP Policy had exclusions as the report seemed to indicate that no change would be made to the Chadderton Asset. Officers have clarified this since the meeting and made reference to Paragraph 2.7.4 of the report which explains this- *'MRP is also currently made on PFI contracts on an annuity rate over the life of PFI contracts. The rate is calculated from the interest rate implicit in each PFI contract. **Where the Council expects to continue to own or retain service benefit from PFI assets after the end of the contract, it is proposed to make MRP over the remaining life of the asset.** This will make the policy more consistent with the policy adopted on the Council's other assets.'*

Members questioned the Assistant Director of Finance on the likelihood of bankruptcy for Oldham Council. The Officer explained that 19 Local Authorities have applied for and received exceptional support from Central Government. Oldham are not at the stage of needing to apply for this assistance which can be obtained before reaching the level of a s114 Notice and bankruptcy. There are several stages before reaching bankruptcy.

RESOLVED that, the Audit Committee

1. Note the Treasury Management Mid-Year Review and endorse it going to Cabinet
2. Accept the recommendations of the Council's Treasury Advisers and change the MRP policy
3. Approve the use of up to £2.000m of capital receipts to fund the costs of voluntary redundancy payments.
4. Approve both the change in MRP policy and the use of flexible capital receipts to fund the costs of voluntary redundancy payments.

9

AUDIT COMMITTEE CHAIR - CHARGED WITH GOVERNANCE, MANAGEMENT PROCESSES AND ARRANGEMENTS

The Head of Audit and Counter Fraud presented the report to the Committee.

In carrying out their annual audit of the Council, Mazars LLP comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

These enquiries are made in part to corroborate the responses to the enquiries of management. Mazars LLP has sent the Audit Committee a questionnaire setting out their enquiries of TCWG. The Committee were asked to review the letter, questionnaire and the Chair of the Audit Committee's proposed responses.

The Chair explained to the Committee that although the report suggests that the responses to the questionnaire are his, they have been provided on behalf of the whole Committee who he is representing in his capacity as the Chair.

RESOLVED that, the Audit Committee reviewed and approved the Council's responses outlined in the report.

10

DIRECTOR OF FINANCE - CHARGED WITH GOVERNANCE- MANAGEMENT PROCESSES AND ARRANGEMENTS

The Head of Audit and Counter Fraud presented the report to the Committee.

In carrying out their annual audit of the Council, Mazars LLP comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC). ISAs require the auditor to make enquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These enquiries are made in part to corroborate the responses to the enquiries of management. Mazars LLP has sent the Audit Committee a questionnaire setting out their enquiries of TCWG. The Committee were asked to review the letter, questionnaire and the Director of Finance's responses.

Members suggested amending the wording of one of the answers to provide further clarity. The suggestion was noted by the Officer.

RESOLVED that, the Audit Committee reviewed and noted the responses of the Director of Finance outlined in the report.

11

DIRECT PAYMENTS UPDATE REPORT

The Assistant Director of Adult Social Care presented on the Joint Report of the Head of Internal Audit and Director of Adult Social Care (DASS) on the 2023/24 Fundamental Financial Systems Audit Outcomes and Action Plan in respect of Direct Payments and Community Home Care.

The Direct Payments and Community Home Care audit received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. In light of this the overall opinion for 2022/23 was subsequently downgraded to Weak. The audit report for the subsequent year noted some progress in addressing the recommendations made during 2022/23, and the audit opinion for the latest year, 2023/24, was upgraded from Weak to Inadequate. At the Audit Committee meeting of 27 June

2024. Members requested a further update report at the November meeting of the Committee.

Significant work has been undertaken by Adult Social Care to respond to the historic system challenges since the audit. There has been joint working between Adult Social Care & Audit to offer support and constructive guidance. The programme of work is undertaken programmed to run continuously throughout the year, to highlight challenges in the system and a system response to remedy this. To fully address the auditing recommendations, in October 2022 the service undertook an exercise to restructure and repurpose its portfolios. The restructure of the service aligned the brokerage service within the commissioning portfolio, re-aligned the Client Finance Service and created a portfolio of Reform and Improvement. Since July 2022, the service has devised a complete system transformation and improvement plan, aligned to Adult Social Care improvement which is expected to support the service to become more efficient and effective in managing demand and meeting the needs of vulnerable residents, who have been assessed as having care and support needs, in accordance with statutory responsibilities. In addition, the service has devised a new target operating model.

Member queries whether the causes of the consistently 'inadequate' and 'weak' gradings have had a direct impact on the overspending in Adult Social Care. The Officer explained that some areas of weakness identified in the service such as staff turnover and system issues would not necessarily impact the budget. However, there are some areas which may have impacted the spending in Adult Social Care. For instance, more regular reviews of those receiving care could have identified where reduced care packages could have been offered and therefore savings could be made.

Members queried whether there is adequate accountability for Officers as 7 years of an inadequate rating would suggest there is not. The Assistant Director of Adult Social Care confirmed that they as challenged and held to account by Audit.

Members questioned the progress made as the Action Plan provided as part of the report suggests that of the 10 actions, only 1 has been completed. The officer confirmed that progress has now been made on all 10 actions and they will share an updated action plan with the Committee to detail this.

RESOLVED, that the Audit Committee note the report and acknowledge the progress made.

ANNUAL INTERNAL AUDIT OPINION REPORT COMPARISON ACROSS GM

The Head of Audit and Counter Fraud presented on the Annual Internal Audit Opinion Report Comparison across the GM. At the Audit Committee's meeting of 27th June 2024, the Committee received the Annual Opinion Report of the Head of Internal Audit

and Counter Fraud for the year 2023/24. As part of their review of this report Members requested a further report comparing the levels of assurance provided by Heads of Audit in other Authorities relative to the levels of assurance given in respect of individual audit assignment reports throughout the relevant year.

The report provided Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24, and the individual opinion reports issued by each Internal Audit team across GM which contributed to the Annual Opinion arrived at in each case. Additional selected points of comparison between the work carried out by the Internal Audit Team at Oldham and other Authorities across GM is also provided.

Members appreciated the comparative data and found it helpful in ascertaining Oldham's position.

RESOLVED that, the Audit Committee note the Annual Opinion Report Comparison.

13

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT Q2 2024/25

The Head of Audit and Counter Fraud presented the Internal Audit and Counter Fraud Progress Report for Q2 2024/25.

The Committee heard of the work carried out by the team from 1 April 2024 to 1 November 2024. During Q1 the team finalised work on the Council's Fundamental Financial Systems (FFS) reviews to provide assurance in respect of the 2023/24 Financial Statements, and the Annual Opinion Report of the Head of Audit and Counter Fraud for 2023/24. These reports were issued in Q1 2024/25. During Q2 the team commenced work on the Council's FFS reviews for 2024/25, to be reported later in the year.

In addition, other Audit and Counter Fraud Team activity in Q2 included:

- Completion of four opinion reports in connection with Christchurch School, Building Control, VAT and Highways Grant Administration, and a grant assurance review of the Council's Pothole Fund Assurance Statement.
- Commencement and ongoing work in connection with a Standards of Conduct review, a Recruitment processes review, a review of the Council's Risk Management Processes, a review of the Council's decision recording systems; a review of the Council's Housing Options Service, a review of Children's to Adults transitions in Social care, a review of In-Borough SEND Placements, a review of Miocare financial systems, and a review of Public Health Commissioning.
 - Work was also commenced on 2 further reviews which, following initial background work have been halted pending further developments. Work in connection with the Council's Speech and language Therapy Services was halted in agreement with the Service. The Service is aware of the

challenges both locally and nationally in this area and is forming its own plans to address these. The value which would be added by an audit review at this stage is likely to be low. This work may re-commence at a future date and we will maintain contact with the Service to agree an appropriate time for this to take place. In the meantime this review has been replaced with a review of In Borough SEND Placements noted above. Work in connection with the Council's "Don't Trash Oldham" initiative was also halted following an internal Service led review of this initiative. Again, the potential to add value by undertaking further audit work in this area is deemed to be low.

- Corporate Counter Fraud activities have identified £269,487 of fraud, errors and overpayments.
- Line management of the Direct Payments Audit Team (Adults and Children) has transferred out of the Audit and Counter Fraud Service and into the Central Finance Service. As a result the outcomes of this work will no longer be reported as part of these regular update reports to this Committee.

Members queries where the direct payments report will be going in the future and who will have oversight. Officers suggested it may be picked up as part of Budgetary Monitoring, but they will check and confirm. Officers also clarified that if Audit wanted to receive the report in the future, they are able to request that from the Central Finance Service.

RESOLVED, that the Progress report be noted by the Audit Committee.

14

PROGRESS REPORT ON SECOND INDEPENDENT MEMBER

The Head of Audit and Counter Fraud provided the Audit Committee with a verbal update.

Since the publication of the report, approval has been given to proceed with the recruitment of a second Independent Member. As a result, the content of the report is no longer correct and was withdrawn from the meeting.

The Chair stressed the importance of a Second Independent Member and made reference to CIPFA guidance which makes this recommendation. The Chair explained the level of responsibility put on a single Independent Member of the Committee and suggested that a Second Member would provide further confidence and oversight of Audit Committee. The Chair provided a comparison with a similar role in the GMCA and suggested the shared responsibility alleviated the pressures that may be experienced by a single Independent Member.

The Head of Audit and Counter explained to the Committee that the Council have attempted to recruit to the role twice in the last 12 months but there were no suitable candidates.

Members of the Committee discussed why Oldham may be struggling to attract suitable candidates and suggested that it

could possibly be because the remuneration offered for the role was low. Upon questioning, the Officer confirmed that Member Allowances are set by an Independent Committee and agreed at Council. The Officer also confirmed that there does not appear to be any direct correlation between payment and ability to recruit an Independent Member. He provided the Committee with examples of the varied remuneration offered by organisations nationally.

Members asked that Officers write to the Independent Committee and ask them to review the remuneration for the role.

RESOLVED that, the verbal update is noted by the Audit Committee.

15 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2024/25**

The Head of Audit and Counter Fraud submitted a report setting out the Audit Committees proposed work programme for 2024/25. The Officer explained that the Payroll Report has been moved to the January meeting. Members accepted this amendment but noted their concern as Payroll has previously been a concerning area.

RESOLVED that, the 2024/25 work programme be noted.

16 **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 two items of business on the grounds that they contain exempt information, as defined under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the report.

17 **UPDATE ON THE CORPORATE RISK REGISTER**

The Audit Committee received a report on the Corporate Risk Register from the Head of Insurance and Information Management.

The Corporate Risk Register has been updated to reflect the position at the end of September 2024 (the quarter 2 position for 2024/25). In terms of changes since the last risk update to Audit Committee in March 2024 there have been a number of risks removed and updated. In March 2024 there were 22 risks on the Corporate Risk Register after a review of the risks there are now 15 on the risk register as at the end of September 2024.

The Officer summarised the Risks on the register, highlighted the 3 new additions and provided background on why they have been added to the register.

Members welcomed the updated formatting of the report following feedback at the last meeting and suggested further adding an extra column to provide more clarity.

RESOLVED that, the Corporate Risk Register is noted by the Audit Committee.

The meeting started at 6:00pm and ended at 8:05pm.