

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 14 December 2023

Present: Councillor M Whitby (in the Chair)
Councillors D Berry, C Birchmore, I Gartside, D Green,
M Hayes, L McBriar and E Moss

Also in attendance: Paul McKeivitt, Interim Section 151 Officer
Janet Spelzini, Head of Fraud, Audit, Insurance and Risk
Louise Kirkman, Head of Risk
Karen Murray and Dawn Watson representing Mazars
Neil Long, Assistant Director of Operations
Jason Kelly, Head of Facilities Management
Judith Smith Senior Auditor

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor A Arif and Councillor M Rubinstein

AU.1 DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

a RISK REGISTER - DEEP DIVE

The Assistant Director of Operations, Neil Long and the Head of Facilities Management, Jason Kelly attended the meeting to provide an update deep dive on the risk register increasing energy prices.

An accompanying report had been circulated in advance of the meeting which provided details of:

Current forecast spend
Current Controls
2024/25 Energy Price Forecasts
Mitigation of rising energy costs.

In discussions that followed the following issues were raised:

- The Assistant Director confirmed that the Council bid to Sport England had been unsuccessful and the Council would be unable to bid for monies as part of the second phase allocation as they would not meet the criteria.
- The Head of Facilities Management reported that a new boiler had been installed in the Town Hall, this boiler is more energy efficient will help to reduce the Council's energy costs.
- The Council currently use YPO to purchase their energy, this contract allows for a flexible strategy to purchase energy cost effectively and their processes follow the government good practice guidance.
- The YPO is for four years and expires in 2027 with a further possibility of a 2 year extension. The contract is awarded via a competitive tendering process.
- 90% of Schools and Academies use the Council contract to purchase energy. The Schools have access to the central energy portal by which they can check

and monitor their own energy usage. The Council provides additional support to schools via webinars and workshops to advise on energy usage and ways to reduce costs and improve efficiency.

- The Council is moving to a LED street lights across the Borough and the first stage of that process is to refit estate roads. There are no proposals to trim the street lights or switch off street lights.

It was agreed:

That the update be noted and the Assistant Director of Operations and the Head of Facilities Management be thanked for their attendance.

AU.2 MINUTES OF THE LAST MEETING

Members considered the following matters arising from the previous minutes.

1. The Financial Capacity risk register deep dive will be provided at the next meeting.
2. The Audit Committee place on record their thanks and best wishes to the former section 151 Officer, Sam Evans.
3. The Head of Democratic Services updated the Audit Committee on recent staffing changes in relation to Information Governance and confirmed a update report will be considered at the next meeting.
4. The Director of Place will be invited to the next meeting to update Members on concerns raised in relation to the recent internal audit report.

At the request of the Chair and following discussion at the last meeting, the Interim Section 151 Officer, updated members of the committee on concerns raised in media reports in relation to the Manchester Airport share value.

As part of the audit process the external auditors (BDO) provided a valuation of the shares held by all the Greater Manchester authorities, (excluding Manchester City Council) in Manchester Airport. The value was a technical valuation, non monetary and its value does not affect the Council's Revenue Budget. A valuation had not been undertaken for a number of years and the actual value was less than originally reported.

The Interim Section 151 Officer wanted to place on record and provide to the Committee assurance that the reporting was not a material mis-statement and the inclusion of a share valuation has always been included as a technical part of the Council's account reporting process.

In addition to the statement from the Interim Section 151 Officer, the Mazars representative present reported that the model for assessing the value of these shares is very complex, and the adjustment to the valuation should have been undertaken earlier. In undertaking the valuation process BDO the external auditors undertaken further extensive work and this led to a change in the valuation reported. Oldham as lead commissioning authority have spoken to BDO in respect of this issue.

It was agreed:

The minutes of the meeting held on 12th October be approved.

The Interim Section 151 be instructed to raise concerns in respect of the external auditors BDO at the next Treasures meeting.

AU.3 CORPORATE RISK REGISTER

Louise Kirkman, Risk Manager provided Members with an updated position with regards to the risks identified and assessed on the Council's Corporate Risk Register. An accompanying report circulated prior to the meeting included the following information:

A total of 22 risks have been identified as those of a genuine corporate nature and are summarised as follows:

- 22 risks are currently present on the Corporate Risk Register
- 15 risks are currently rated as Significant (risk score 15-25)
- 6 risks are currently rated as High (risk score 8-12)
- 1 risk is currently rated as Low (risk score 1-3).

Of these 22 risks:

0 has increased in score, 3 have decreased in score, 15 have remained static, 4 have not been reviewed in the last reporting period and 2 are proposed for closure.

In questions that followed the following issues were raised:

Questions were asked that could only be answered by Officers not present, in response the Risk Manager provided assurance to Members that she would provide updates and share with the Committee.

A risk management strategy is currently being developed and it is hoped that this will be ready to be shared with the Committee imminently.

Members also raised concerns with regards to the high levels of staff turnover within Children's Services.

It was agreed:

1. Risks CR26 – Increasing Fuel Costs & New Red Diesel Page and CR27 – General Contract / Tenders Inflation would be closed.
2. The Risk Manager will provide committee members with updates in respect of risks associated with Climate Change, housing and senior staffing turnover in Children Services.
3. At the next meeting of the Audit Committee updates will be received in respect of CR19 Financial Capacity and Financial sustainability and CR23 Adult Social Care.

AU.4 MAZARS AUDIT PROGRESS REPORT

Karen Murray Mazars representative provided Members with a verbal update on progress on delivering their responsibilities as external auditors. An accompanying report circulated ahead of the meeting included the following details:

A number of items previously reported as outstanding remain. Items currently in progress are:

- Agreement of the amendments required in respect of Property, Plant & Equipment
- Agreement of the Council's group consolidation entries
- Confirmation and assessment of the existence of RAAC in Council buildings and the impact on the financial statements
- Resolution of queries from the technical review of the financial statements
- Queries in respect of related party disclosures and
- Final file review and closure.

The Council has also identified 2 further amendments that will require review.

We will issue a follow up letter to this Committee following the completion of the outstanding work 2021/22 VFM.

Mazars have commenced work on the Council's value for money arrangements. Following some initial queries, the external auditors received further supporting evidence and we are currently reviewing this. The Auditors plan to complete and report the Value for Money arrangements work alongside the remaining aspects of work on the financial statements.

The Council published its draft Accounts and annual governance statement on 31st May 2023, in line with the statutory timetable. We will agree a detailed timetable for our work following resolution of the outstanding areas of work on 2021/22.

Members discussed the delays in the Council accounts receiving final sign off. The Mazars representative reported that further information from the Council has been requested and the external auditors met with Officers as recently as three weeks ago. The External auditors reported, that there is a shortage of external auditors which is a national problem resulting in backlogs in this area.

The Interim Section 151 Officer reported that one of his primary functions is to strengthen financial capacity within the finance team and a report will be presented to Cabinet in the new year providing details of a finance restructure.

It was agreed:

The Mazars representatives be thanked for their attendance.

AU.5

FRAUD PLAN

The Head of Fraud, Audit, Insurance and Risk provided Members with an update on the Annual Counter Fraud Plan 2023/24 and the work undertaken by the Fraud Team during the financial year to 30th November 2023.

The accompanying report included the following information:

The Fraud Team have now checked 1846 entries relating to a variety of matches including Payroll, Housing and Blue Badges.

340 Blue Badges have been cancelled with a Cabinet Office estimated saving of £221,000.

A number of further investigations have also been opened relating to other NFI data matching results. Four cases which have been investigated have been passed to legal services for prosecution.

The Counter Fraud Team have received 475 referrals and have achieved £258,888 in overpayments (including £221K for blue badges) and savings in this financial year to date.

In discussing the report Councillor Gartside suggested that the use of email was not covered in the policy. The Head of FAIR said she would look into this matter further.

It was agreed:

AU.6 Members note this report and the work undertaken by the fraud team
INTERNAL AUDIT PROGRESS REPORT

The Head of Fraud, Audit, Insurance and Risk updated Members on the progress to date against the annual audit plan 2023/24, the purpose of which is to enable Members to monitor the work of the Internal Audit service, raise any issues for further consideration and provide an opportunity to request further information or to suggest areas for additional or follow up work.

The accompanying report included details in relation to:

- The majority of work outstanding from the 2022/23 plan has now been completed and work on 2023/24 plan is progressing.
- Fourteen reviews have concluded, and reports have been issued to Members since the beginning of the financial year. Eight reports relate to the 2022/23 annual audit plan and were considered when formulating the annual audit opinion for 2022/23. Six reports relate to the 2023/24 annual audit plan.
- Work on 2023/24 plan is progressing. Ten reviews are ongoing, three reviews are at draft report stage. Three reviews which were in progress have been put on hold and deferred until quarter 4 of 2023/24.
- Three follow up exercises and three second follow up exercises have been completed since Audit Committee met in October 2023.
- Resources originally calculated as available for the delivery of the annual plan may need to be reduced by approximately 125 days. Reviews earmarked to be deferred until 2024/25 are outlined at paragraph 2.1 of the report.

It was agreed:

1. Members note this report and the work undertaken by Internal Audit.
2. The BGI department will present to the next meeting an update on the estate management action plan.
3. Internal Audit reports will be circulated monthly.

AU.7 **EXCLUSION OF PRESS AND PUBLIC**

That the press and public be excluded from the meeting under Section 100 (A)(4), Schedule 12(A) of the Local Government Act 1972, for the reason that the following business involves the disclosure of exempt information as detailed against the item.

AU.8 **INTERNAL AUDIT REPORTS**

Members note the content of the report.

AU.9 **SPECIAL INVESTIGATIONS REPORT**

Members note the content of the report.

COUNCILLOR M WHITBY
Chair

(Note: The meeting started at 7.00 pm and ended at 9.00 pm)