

AUDIT COMMITTEE Regulatory Committee Agenda

Date Thursday 4 June 2020

Time 6.00 pm

Venue Virtual Meeting

https://www.oldham.gov.uk/info/200608/meetings/1940/live_council_meetings_online

Notes 1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Lori Hughes in advance of the meeting.

2. CONTACT OFFICER for this Agenda is Lori Hughes email
lori.hughes@oldham.gov.uk

3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Monday, 1 June 2020. The question will be read out by the Chair and a response will be provided at the meeting.

4. FILMING – This meeting will be recorded for live and/or subsequent broadcast on the Council's website. The whole of the meeting will be recorded, except where there are confidential or exempt items and the footage will be on our website. This activity promotes democratic engagement in accordance with section 100A(9) of the Local Government Act 1972. The cameras will focus on the proceedings of the meeting. As far as possible, this will avoid areas specifically designated for members of the public who prefer not to be filmed. Disruptive and anti social behaviour will always be filmed.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:

Councillors Ahmad, Dean, C. Gloster, Haque (Vice-Chair), Salamat, Sheldon, Hobin and Iqbal

Item No

1 Apologies For Absence

2 Urgent Business

Urgent business, if any, introduced by the Chair

3 Declarations of Interest

To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.

4 Public Question Time

To receive Questions from the Public, in accordance with the Council's Constitution.

5 Minutes of Previous Meeting (Pages 1 - 6)

The Minutes of the Audit Committee held on 20th January 2020 are attached for approval.

6 Data Protection Update (Pages 7 - 14)

7 Teachers Pension Agency 2018/19 End of Year Certification (Pages 15 - 16)

8 External Audit Progress Report May 2020 (Pages 17 - 32)

9 2019/20 Proposed Accounting Policies and Critical Judgements (Pages 33 - 56)

10 Those Charged with Governance - Management Processes and Arrangements (Pages 57 - 70)

11 Those Charged with Governance - Management Processes and Arrangements (Pages 71 - 84)

12 2019/20 Annual Statement of Accounts (Pages 85 - 90)

13 Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLG) Prosecution Policy (Pages 91 - 104)

14 Internal Audit Charter 2020/2021 (Pages 105 - 116)

15 Audit Committee Work Programme (Pages 117 - 120)

16 Exclusion of the Press and Public

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 items of business on the grounds that they contain exempt information 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 reports.

17 Senior Information Risk Officer (Pages 121 - 128)



AUDIT COMMITTEE
20/01/2020 at 6.00 pm

Present: Councillor Haque (Vice-Chair, in the Chair)
Councillors Ahmad, C. Gloster, Sheldon and Iqbal

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars External Auditors
Lee Walsh	Finance Manager - Capital & Treasury
Sabed Ali	Assistant Manager- Internal Audit
Andy Bloor	Assistant Manager - Counter Fraud
Caroline Lee	Head of Revenues, Benefits and Business Support
Sian Walter-Browne	Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Hobin and Councillor Dean

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 received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee meeting held on 14th November 2019 be approved as a correct record.

6 **MEMBER TRAINING**

A training session was delivered to Members.

7 **AUDIT STRATEGY MEMORANDUM 2019/20**

Consideration was given to a report of the Head of Corporate Governance which set out the proposed Audit Strategy Memorandum for Oldham Council for the for the financial year 2019/20.

The Audit Strategy Memorandum set out the proposed work to be undertaken by the external audit team on the 2019/20 Statement of Final Accounts including the Value for Money Opinion which was linked into the future financial resilience of the Council.

The Director and Audit Engagement Lead from Mazars was in attendance to present the Audit Strategy Memorandum and to address the enquiries of the Committee.

It was explained that this document summarised Mazars' audit approach. The four areas of responsibilities of the External

Auditors were outlined; they derived from the relevant national legislation and from the National Audit Office's Code of Practice.

The audit approach was risk-based and primarily driven by the matters that led to a higher risk of material misstatement of the financial statements. The different stages of the audit were explained. The planning stage had taken place in November/December 2019. The interim audit would be undertaken in January/February of 2020, with field work between April and May 2020. The audit would be finalised and brought to the Audit Committee in June 2020. Although the External Auditors worked closely with the internal audit team, they did not plan to rely on the work of the internal audit.

The two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited would be audited as part of the Council's Group. The plan was to obtain assurance from analytical procedures and the Audit Committee would be informed of any change to this.

The materiality level was set at a similar level to last year's threshold. Therefore, the overall materiality for 2019/20 was expected to be £13.5 million for the audit of the Group financial statements and £13.4 million for the Council's single entity financial statement.

The External Auditors would also look at whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Elected Members sought and received clarification/commented on the following points:

- Reliance on Internal Audit – Members were informed that External Audit could not use Internal Audit resources, however they worked together to ensure there was no duplication.
- Resources at Mazars – Oldham officers worked with the external Auditors throughout the year and produced good accounts early in the process, meaning fewer resources were required.
- Significant risk in relation to reserves – The external Auditor's role was to ensure that the Council made sustainable arrangements. This involved ensuring there was less reliance on reserves over time and that savings plans were deliverable. Oldham had a very robust process in place for this.

RESOLVED that the Audit Strategy Memorandum for 2019/20 be noted.

Consideration was given to a report of the Head of Corporate Governance which provided the Committee with the outcome of the audit of the Housing Benefit Subsidy for the financial year 2018/19.

Members were informed that the audit of the Housing Benefit Subsidy claim was undertaken by KPMG LLP. The summarised findings overall were positive, and the financial adjustment was very minimal given the value of transactions processed.

The issues below were identified:

- a) The information provided to support self-employed claimants remained an issue to be resolved (this had been identified as an issue for 4 consecutive financial years).
- b) The incorrect categorisation of overpayments during the year (this was identified as an issue only for 2018/19).

Members sought clarification over the issue relating to self-employed claimants and were assured that this was one case of human error

RESOLVED that the outcome of the Housing Benefit Subsidy audit 2018/19 be noted.

9

TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

Consideration was given to a report of the Director of Finance which set out the 2020/21 Treasury Management Strategy (including Minimum Revenue Provision policy statement, annual investment strategy and prudential indicators together with linkages to the Capital Strategy).

The Committee was informed that the Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. It was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the Code) also required the receipt by full Council of a Treasury Management Strategy Statement.

Members were informed that the Strategy for 2020/21 covered two main areas.

Capital Issues

- The Capital expenditure plans and the associated Prudential Indicators
- The Minimum Revenue Provision (MRP) Policy Statement

Treasury Management Issues:

- The Current Treasury Position
- Treasury Indicators which limit the treasury risk and activities of the Council

- Prospects for Interest Rates
- The Borrowing Strategy
- The Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Investment Strategy
- The Creditworthiness Policy
- The Policy regarding the use of external service providers.

The report therefore outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations with regard to the Treasury Management Strategy for 2020/21.

The proposed Treasury Management Strategy was presented for scrutiny to the Audit Committee so that any comments could be incorporated into the report before it was considered by Cabinet. It would also be presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 23 January 2019 for review together with all other 2020/21 budget reports.

The Committee asked for and received clarification on the following:-

- Capital Programme re-profiling – the Creating a Better Place initiative was very different and would be a series of targets. It was an ambitious programme that would invest large sums in the Borough, and was about delivering and making projects happen.
- Supporting existing businesses in the town centre – this was a complex area and local authorities were limited by eg State Aid Rules. The ability to attract inward investment very much depended on demonstrating delivery on the ground.

Resolved that the following be commended to the Cabinet:

1. Capital Expenditure Estimates as per paragraph 2.1.2;
2. MRP policy and method of calculation as per Appendix 1;
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.4;
4. Projected treasury position as at 31 March 2020 as per paragraph 2.3.4;
5. Treasury Limit's as per section 2.4;
6. Borrowing Strategy for 2020/21 as per section 2.6;
7. Annual Investment Strategy as per section 2.10 including risk management and the creditworthiness policy at section 2.11;
8. Level of investment in specified and non-specified investments detailed at Appendix 5.

10

LOCAL CODE OF CORPORATE GOVERNANCE

Consideration was given to a report of the Head of Corporate Governance which propose a refreshed Local Code of Corporate Governance for Oldham Council.

The Committee was informed that the Council was required to produce a Local Code of Corporate Governance, which was subject to review every two years or when there had been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed in May 2017.



Members noted the Head of Corporate Governance, in conjunction with the Director of Finance, would review the code on a regular basis whilst also monitoring the progress made by the Authority on complying with its policies and procedures to ensure best practice.

The Committee asked for clarification on how the Code reflected the Council's commitment to equality and diversity, and noted that proposals on this would be shared with the Committee

RESOLVED that the refreshed Local Code of Corporate Governance for Oldham Council be noted.

11 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME TO JUNE 2020**

Members gave consideration to the proposed Work Programme to June 2020.

Resolved that the Work programme to June 2020 be noted.

12 **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 items of business on the grounds that they contain exempt information under paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

13 **FOLLOW UP ON ANNUAL GOVERNANCE STATEMENT FOR 2018/19 AND NEW ISSUES ON GOVERNANCE IN 2019/20**

The Committee considered a report of the Head of Corporate Governance which

- a) Updated Members of the Committee 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 Annual Governance Statement for 2018/19.
- b) Identified new risks which, at this stage, were considered appropriate for potential inclusion in the Annual Governance Statement for the financial year 2019/20.

A verbal update was also provided highlighting the key issues in the Corporate Risk Register.

RESOLVED that the content of the report and the verbal update be noted.

14 **RISK BASED VERIFICATION UPDATE**

The Committee gave consideration to a report of the Director of Finance which presented an evaluation of the future use of Risk Based Verification (RBV) systems which were introduced by the Council in April 2014.



RESOLVED that the recommended approach of Option 2 - Discontinue use of Risk Based Verification with effect from April 2020 – be confirmed.

The meeting started at 6.00 pm and ended at 9.03 pm



Report to Audit Committee

Data Protection Update

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member Finance and Corporate Services

Officer Contact: Anne Ryans – Director of Finance

Report Author: Barbara Mulvihill – Data Protection Officer

4 June 2020

Purpose of Report

To update Members of the Audit Committee on the Council's management and assurance in relation to data protection.

Recommendations to the Audit Committee

The Audit Committee is asked to consider and note the contents of the report.

Data Protection update**1 Background**

- 1.1 The Audit Committee, as the appropriate Committee within the Council has received a previous Data Protection Officer (DPO) report and agreed to receive reports twice yearly there-after. This is the second update report for 2019/20 (postponed from the 26 March 2020 Audit Committee meeting which was cancelled due to the national COVID-19 lockdown).

2 Current Position

- 2.1 The Council DPO continues to provide advice and guidance to the Council and through formally agreed service level agreements (SLA) to Unity Partnership Ltd (UPL), MioCare CIC and 57 schools (directly maintained and academies) based in Oldham.
- 2.2 Under the same SLAs, the Information Management Team continues to provide support and expertise across the wider information governance arena, e.g., data protection, information security, Freedom of Information, records management, for these organisations.
- 2.3 The Information Management Team has commenced delivery of an Information Governance Plus model SLA with Children's Services to drive the implementation of information governance on a variety of services/projects including Oldham Family Connect, Early Help, MASH and the Oldham Partnership.
- 2.4 The Data Protection Board continues to meet every two months to receive data protection plan progress updates and to discuss information management requirements in relation to local and wider Greater Manchester Combined Authority (GMCA) activities.
- 2.5 As a consequence of the increased number of localised and GMCA activities/initiatives that require the use of personal information, there is a requirement to ensure that data protection implications are fully considered.
- 2.6 Examples of the working together of organisations, e.g., Councils, NHS, police, voluntary organisations, housing providers, community groups etc. include, but are not limited to:
- Co-location and integration of services
 - Sharing of personal data
 - Joining up individual's records
 - Development of IT systems to facilitate the above
 - Communicating to individuals about the use of their personal data
 - Handling of information rights requests within integrated services.
- 2.7 These activities can be illustrated below:
- 2.7.1 Oldham Cares has an integrated approach to 'systems of care' in relation to health and social care services. The key aims include, but are not limited to:
- Improving health outcomes and performance
 - Focusing on prevention and for people to live healthy lives
 - Enabling people to make informed choices
 - Working jointly with partners and being needs led
 - Developing community resilience through the Thriving Communities project

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- A key element of Oldham Cares surrounds the implementation of the Integrated Care Record and the wider Local Health and Care Record Exemplar (LHCRE) programme.
- 2.7.2 Place Based Integration and Reform focusses on how mainstream services should be delivered across the whole system and in partnership with residents. This will be achieved through the implementation of the Our Oldham Place Based Operating Model. The model aims to create integrated services working in an asset-based way to delivery better outcomes for people and the places where they live. These changes in delivery will work in partnership with the Thriving Communities project which is part of Oldham Cares.
- 2.7.3 This area of work feeds into the GM Place and Reform Executive and towards the implementation of the Place Based Reform Greater Manchester Model.
- 2.8 The Council's Information Management Team is working closely with colleagues from other organisations to ensure that information governance requirements are considered and built into initiatives as they are developed. There is a particular focus currently on ensuring that data protection requirements continue to be met, whilst ensuring data sharing supports the COVID-19 efforts.
- 2.9 The DPO will be working alongside the Information Management Team and other services to further develop a wider assurance role in order to evidence compliance and best practice in relation to the handling of personal data and compliance with data protection.
- 2.10 The submission for the Council's PSN (Public Services Network) annual mandatory accreditation was submitted and agreed as meeting the standard for the period ending 31 March 2020. The submission demonstrates how the Council's security controls are sufficiently rigorous to use the PSN network to collaborate and share information with other public services.
- 2.11 The submission of the Council's Data Security and Protection (DSP) annual mandatory accreditation is usually made before the end of March, however, as a result of the coronavirus deadlines have been extended to September 2020. This submission demonstrates how the Council's information management controls, (with a focus on Adult Health and Social Care), meet the standards set out in the toolkit. It is a requirement of the Department of Health that all organisations who handle adult health and social care personal data complete the toolkit.
- 2.12 Changes within the Data Protection Act 2018 had a significant impact on how requests for information should be handled by the Council. The Information Management Team is implementing the Data Protection Compliance Improvement Project, that aims to ensure systems and processes are suitable to support the implementation of these changes. The project is currently focussing on the process for managing subject access requests. Phase 1 of this work has now concluded, with the current process analysed and feedback gained from all stakeholders on how the processes and overall performance could be improved. Phase 2 is focusing initially on identifying a route for a new IT solution before moving onto implementation.
- 2.13 There have been security incidents during 2019/20 and these have been and continue to be actively managed by the Information Security Manager. A summary by Directorate is attached at Appendix 1. There were no serious incidents which resulted in the network losing its capability for a sustained period of time.

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- 2.14 Cybercriminals continue to be a threat and are preying on fears of the coronavirus by sending 'phishing' emails with the aim of getting users to click on a malicious link. It is important to remember that a single malicious link could lead to a successful attack, which could in turn compromise our IT network and put our information at risk. Communications have been sent to all employees and Councillors requesting completion of the Council's interactive Cyber Security training course, available through the MeLearning e-learning platform.
- 2.15 The Council's Central Records service is relocating from its current site at Vulcan Street to a new location at the Meridian Centre with the key parties managing this move being the Information Management Team, UPL and the Council's Regeneration team. The planned relocation was anticipated to be completed by end April 2020, with the majority of the records transferred to the new site, however, this is currently delayed because of the coronavirus. A visit is to be arranged for Dr Carolyn Wilkins, Chief Executive and Accountable Officer and Cllr Jabbar, Deputy Leader and Cabinet Member Finance and Corporate Services.
- 2.16 Support is provided to the Council, Miocare, UPL and schools in the delivery of their data protection responsibilities. Previous focus has been on providing tools and advice in the following areas:
- Training and awareness
 - Assurance Framework
 - Data Protection Policies
 - Privacy Notices
 - Records of Processing Activities (ROPA)
 - Information Governance Logging Systems Development
 - Delivery of Continuing Support to Key Partners
- 2.17 It is envisaged going forward that the focus of the plans will be to build on existing 'business as usual' by continuing to support the Council, Miocare, UPL and schools in their day to day application of data protection and best information practice. The focus of the next phase of the plan will be on bringing to conclusion any residual items in progress at the time of writing and develop a stronger framework around assurance.
- 2.18 The UK has now entered a 12-month transitional period in relation to leaving the European Union and in terms of data protection there are no changes.
<https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/01/statement-on-data-protection-and-brexit-implementation-what-you-need-to-do/>

3 Options/Alternatives

- 3.1 The options presented for consideration are:

Option 1 - The Committee considers and notes the contents of this report.
Option 2 - The Committee considers the report but requests further information

4 Preferred Option

- 4.1 The preferred option is Option 1 - The Committee considers and notes the contents of this report.

5 Consultation

- 5.1 Relevant officers of the Council have been consulted in the preparation of this report.

6	Financial Implications
6.1	N/A
7	Legal Services Comments
7.1	N/A
8	Co-operative Agenda
8.1	Committed to the Borough - to visibly demonstrate that the Council is taking steps to ensure legal compliance.
9	Human Resources Comments
9.1	N/A
10	Risk Assessments
10.1	It is good practice for those charged with governance to consider matters relating to data protection.
11	IT Implications
11.1	N/A
12	Property Implications
12.1	N/A
13	Procurement Implications
13.1	N/A
14	Environmental and Health & Safety Implications
14.1	N/A
15	Equality, community cohesion and crime implications
15.1	N/A
16	Equality Impact Assessment Completed
16.1	No, as a result of an EIA screening it was determined that a full EIA was not required.
17	Key Decision
17.1	No
18	Key Decision Reference
18.1	N/A

19 **Background Papers**

- 19.1 The following is 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: Background papers are included in Appendix 1
Officer Name: Barbara Mulvihill
Contact No 0161 770 1311

20 **Appendices**

- 20.1 Appendix 1 - Information Security Breaches by Directorate 2019-2020

Appendix 1

Information Security Breaches by Directorate 2019-2020

Directorate	Quarter 1 Apr – Jun 2019	Quarter 2 Jul – Sep 2019	Quarter 3 Oct – Dec 2019	Quarter 4 Jan – Mar 2020	Total by Directorate
Chief Executive & Legal Services	3	0	0	0	3
Children's Services	8	8	7	9	32
Commissioning	3	0	8	3	14
Community Services & Adult Social Care	7	2	8	6	23
People and Place	2	4	2	2	10
Reform	6	7	0	2	15
Others	1	1	0	4	6
Total	30	22	25	26	103

Incidents can be categorised as follows:

- 59 instances of information being disclosed in error
- 18 instances of stolen / lost / misplaced records or equipment
- 5 instances of technical failure
- 17 instances of unauthorised access/disclosure
- 2 instances of uploading to a website/system in error
- 2 minor issues

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Report to Audit Committee

Teachers Pension Agency 2018/19 End of Year Certification

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

4 June 2020

Reason for Decision

The Teachers' Pension Contributions paid over to the Teachers Pension Agency are subject to a specific external audit review, which results in an annual certification. This report details the outcome for the financial year 2018/19.

Executive Summary

On 30 March 2020 the Teachers Pension Agency (TPA) confirmed their agreement to the contributions paid over by the Council for the financial year 2018/19. The delay in the receipt of confirmation was due to the requirement for TPA officers to agree to the level of variance in the year end return.

Recommendations

That Members of the Audit Committee are asked to note the Certification of the Teachers' Pension Return for the financial year 2018/19.

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Audit Progress Report

Oldham Metropolitan Borough Council

May 2020





CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Oldham Metropolitan Borough Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Ensuring resilience and maintaining the level and quality of client service

Since the Committee last met the impact of the Covid-19 pandemic has changed our environment in a way not seen before. Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

On the 17 March 2020, following Government announcements the following evening, Mazars made the decision to close its offices and require all staff to work from home. The challenges this has brought are significant and still being worked through.

Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption. In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.

Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm. All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with daily economic briefings.

Responding to the changes – working with the Council

We are committed to supporting the Council as best we can throughout the current period, recognising first and foremost the need to be flexible as the current environment changes, but also the significant pressures on the Council's finance team. We have continued to maintain open communication throughout the audit period.

We are able to carry out the audit remotely and have put in place arrangements to allow this, such as routine regular update meetings, use of our Huddle file sharing site for secure transfer of data and keeping query logs. The key difference is we will not, until further notice, have a physical on-site presence. We will however maintain communication via regular webex and video calls.

Update on our proposed audit programme and external audit fees

As set out in our Audit Strategy Memorandum, presented to the Audit Committee in January 2020, we communicate promptly with you when there are changes to our audit work which may impact on the proposed level of external audit fees. There are two elements that we wish to communicate with you relating to our audit of 2019/20.

Public interest Entity

Designation as a Public Interest Entity (PIE) The statutory audit legislation came into effect for all financial years starting on or after June 17, 2016. The PIE definition includes organisations with transferable securities listed on regulated markets and governed by law. Oldham Metropolitan Borough Council had £6.6m of listed debt as at 31 March 2019, and as a result the Council falls under the definition of a PIE. Consequently there are additional requirements at both the planning and the reporting stages of the audit which culminate in the requirement to produce a more detailed 'long form' audit report.

1. AUDIT PROGRESS

Update on our proposed audit programme and external audit fees (continued)

Audit Regulator recommendations

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews of our audit work and that of other audit suppliers, in particular those carried out by the Audit Quality Review team of the Financial Reporting Council. As a result of the increased expectations on external auditors following recent reviews, we are planning increases in the level of work we carry out on:

- The value of the Council's defined benefit pension scheme assets and liabilities; and
- The value of the Council's property, plant and equipment and investment property assets.

We have discussed the driving factors with Council officers through our liaison discussions, and we will revisit our audit fee for 2019/20 to reflect the increased level of risk-based work that was not considered by PSAA when the scale fee was set.

The Committee should note that any agreed additional fee is subject to detailed scrutiny by the PSAA as part of the approval process.

Audit progress

With regards to our external audit of the Council, since the last Committee meeting we have:

- Maintained a regular dialogue with the Director of Finance and the finance and governance teams. We have set up frequent video calls to ensure that we remain up to speed with the Council's response to the challenges and its plans regarding financial reporting.
- Revised our audit resource plans to ensure that we deliver the external audit of the financial statements in line with the Council's revised plans, as set out below.
 - The Council has provided pre-publication draft accounts and intends to publish the draft financial statements imminently.
 - The Council's plans are to publish the final signed Financial Statements and AGS by the end of July 2020.
 - We commenced our detailed audit of the financial statements on 11 May. Our resource plans are based on completing the audit work in May and June.
- The audit progress has been understandably slower than would ordinarily be the case, with the challenges of the Council's finance team all working remotely, and having additional workload in addition to supporting our external audit.
- Liaised with the Council on specific financial reporting challenges in the current time, particularly reflecting information and views from our national networks with MHCLG, NAO, CIPFA, and other audit suppliers. For example:
 - The significant impact of the pandemic on the financial markets means that there are likely to be significant impacts on the valuation of financial pension fund assets. We have suggested that the Council in these circumstances should consider obtaining a second actuarial report from the GM Pension Fund actuary, in order that the report includes the actual return on assets for both the Council and its group subsidiary components.
 - There is increased uncertainty around the valuation of the Council's Property, Plant & Equipment, particularly where that valuation is based on market conditions. The Royal Institute of Chartered Surveyors (RICS) have provided guidance to their members. Consequently we expect that valuers will be actively considering the need for their valuation reports to include a reference to a material uncertainty in their valuations, reflecting the uncertainty in the market conditions that existed at 31 March 2020. Although the Council's valuer has reported that they do not consider there to be a material impact on the valuations for 2019/20, the Council is actively discussing the specific circumstances relating to its valuations with its external valuer.
 - There is increased potential for the Council's other financial assets, for example its investments in companies, or its outstanding debtors, to require impairment, reflecting an increased likelihood of expected losses in the current economic climate.

There are no additional matters to report to the Audit Committee relating to our 2019/20 external audit.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
Mazars			
1	Mazars' response to the Brydon Review	Mazars' response to the latest review into the auditing profession which was published in December 2019.	7
2	Annual Transparency Report	Sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.	7
Public Sector Audit Appointments			
3	Publication of 2020/21 scale of audit fees	PSAA has written to all Councils setting out the next year's external audit fees	8
National Audit Office			
4	New Code of Audit Practice 2020/21	Publication of the Code of Practice that prescribes the focus of the external audit and auditor reporting for five years from 2020/21	9
5	Round-up for Audit Committees	Updated 'round-up' of resources for Audit Committees	9
6	Local authority investment in commercial property	Report on the developments of LA investments in commercial property	9
Chartered Institute of Public Finance and Accountancy (CIPFA)			
7	Local Government Financial Resilience index	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.	10
8	Financial Management Code	Guidance for good and sustainable financial management in local authorities.	10
9	Prudential Property Investment	Guidance on prudent investments in commercial properties.	11
10	IFRS9 Financial Instruments: A guide for Local Authority practitioners	Updated guidance to assist Councils to comply with the requirements of IFRS9	11
11	Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2019/20 Accounts	Guidance notes to assist Councils to comply with the Code of Practice in preparing the 2019/20 financial statements	12

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
Chartered Institute of Public Finance and Accountancy (CIPFA) (continued)			
12	IFRS 16 Leases: An Early Guide for Local Authority Practitioners	Guidance to assist the preparations for the 2020/21 application of IFRS16	13
Ministry of Housing, Communities & Local Government (MHCLG)			
13	Final local government finance settlement: England, 2020 to 2021	Announcement of the finance settlement for 2020/21	14
14	Northamptonshire County Council: fourth commissioners' report	Report from the appointed commissioner	14
Other			
15	Statement on Covid-19, Financial Reporting Council and other Regulators	Statement on the impact of the Covid-19 pandemic on accounting, reporting and auditing	15

2. NATIONAL PUBLICATIONS – MAZARS

1. Mazars' response to the Brydon Review, *Mazars*, December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

<https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report>

Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

<https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report>

Link to the Redmond Review

At the time of writing this report, the outcome from the Redmond Review has not been published.

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

2. Annual Transparency Report, *Mazars*, December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

Link to the latest report issued in December 2019 is set out below.

<https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019>

2. NATIONAL PUBLICATIONS – PSAA

3. PSAA 2020/21 scale of audit fees, March 2020

PSAA has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies, and wrote to those bodies to notify them of the fee.

The 2020/21 fee scale document sets out the scale of fees for the audit work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements.

PSAA describes in their letter that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. In their letter they conclude that

“we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage. The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit.”

The published scale fee for the Council's 2020/21 audit is unchanged from 2019/20 at £104,428.

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

4. New Code of Audit Practice 2020/21, February 2020

The NAO have published their final draft of the Code following the consultation process. The Code has now been laid before Parliament and, subject to Parliamentary approval, will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

Accompanying the Code is a document that sets out the issues the NAO considered as a result of the feedback to Stage 2 of the consultation on the exposure draft of the Code, and highlights the key changes made to the text of the final draft of the Code.

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice-consultation_response.pdf

5. Round-up for Audit Committees, November 2019

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.

This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. It includes an introduction by Gareth Davies, Comptroller and Auditor General, and draws particular attention to publications most useful for governance, oversight and risk management. It is published each autumn and spring, covering NAO publications over the previous six months.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

6. Local authority investment in commercial property, February 2020

In response to substantial falls in funding since 2010/11, local authorities have made reductions in revenue spending on services. Increasingly, authorities have also sought to offset funding reductions by generating new income through a range of strategies. A key component within these responses has been a rapid expansion in the acquisition of commercial property, often funded by borrowing.

The NAO estimates that authorities spent £6.6 billion on purchasing commercial property from 2016/17 to 2018/19 – 14.4 times more than in the preceding three years. This includes an estimated £3.1 billion on acquiring offices; £2.3 billion on retail property, including £759 million on shopping centres or units within them and £957 million on industrial property. The majority of the £6.6 billion was spent by only 49 local authorities, with those authorities accounting for 80% of the spend. Many authorities have borrowed to finance these purchases. The NAO estimates that between 38% and 91% of spending on these purchases across the sector was financed by borrowing in this period.

The report concludes that although there is evidence of authorities mitigating these risks, such as by recruiting specialist staff, undertaking due diligence on their purchases, drawing on external expertise and establishing contingency funds, there was room for improvement in the governance and risk mitigation arrangements of some authorities.

The Ministry of Housing, Communities and Local Government (MHCLG) is responsible for the framework of statutory codes and guidance that set the parameters for local authority borrowing and capital spending. MHCLG has made changes to aspects of the framework in response to the recent increased investment in commercial property. Recent activity has raised questions about the extent to which MHCLG can rely on the present framework to support authorities to make decisions which demonstrate good value for money.

The NAO recommends that MHCLG improves the relevance and quality of data and analysis it has on authorities' acquisition of commercial property to understand more fully any risks and to provide greater assurance that authorities are complying with the framework. It also recommends that the Ministry should review whether the current framework is still achieving its intended aims.

<https://www.nao.org.uk/report/local-authority-investment-in-commercial-property/>

2. NATIONAL PUBLICATIONS – CIPFA

7. Local Government Financial Resilience index, CIPFA, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- social care ratio;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority's performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index>

8. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

2. NATIONAL PUBLICATIONS – CIPFA

9. Prudential Property Investment, CIPFA, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

<https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment>

10. IFRS 9 Financial Instruments: A Guide for Local Authority Practitioners, CIPFA, December 2019

The Code of Practice on Local Authority Accounting in the UK adopted IFRS 9 Financial Instruments in its 2018/19 edition, with an application date of 1 April 2018.

In order to allow practitioners to prepare in good time, CIPFA issued guidance in 2017 in advance of the 2018/19 Code being published, based on a companion publication to the 2017/18 Code: Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

This publication updates the 2017 guidance to reflect:

- provisions in the 2018/19 Code that were not included in the Forthcoming Provisions publication
- changes to the 2019/20 Code resulting from amendments to IFRS 9
- experience of implementing IFRS 9 in the 2018/19 annual accounts.

This guidance provides comprehensive coverage of the requirements of the Code, including recognition, measurement, treatment of gains and losses, derecognition and presentation and disclosure in the financial statements. It also covers statutory reversals and the continuing impact of transitional provisions.

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-9-financial-instruments-a-guide-for-local-authority-practitioners>

2. NATIONAL PUBLICATIONS – CIPFA

11. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2019/20 Accounts, CIPFA, November 2019

The guidance notes support Councils in dealing practically with the preparation of the year-end financial statements and reports that accompany them. This version provides detailed guidance on the key accounting changes introduced by the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and includes:

- Updates to reflect 2018 IASB Conceptual Framework.
- Guidance on the Code's adoption of the amendments to the financial instruments standard (IFRS 9 Financial Instruments) relating to prepayment features with negative compensation.
- Updates to reflect the Code clarifications relating to contracts with lender option borrower option clauses.
- New guidance on the group accounts scope clarification for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (introduced by the Annual Improvements to IFRSs 2014 to 2016 Cycle).
- Explanation of the Code approach to drafting amendments (including commentary on when the Code adapts or interprets IFRS).
- Removal of references to Carbon Reduction Commitment Scheme following the Scheme closure.
- A new section on the accounting treatment for the apprenticeship levy.
- Updates for the new voluntary transfers presentation (for Scottish local authorities only) in the movement in reserves statement and expenditure and funding analysis. This includes the treatment within the reserves.

Example financial statements have been updated to reflect the changes described above.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-guidance-notes-for-201920-accounts-online>

2. NATIONAL PUBLICATIONS – CIPFA

12. IFRS 16 Leases: An Early Guide for Local Authority Practitioners, CIPFA, December 2019

Although changes will not have an effect until the 2020/21 financial statements, CIPFA/LASAAC consulted in the summer of 2018 on amendments to the Code of Practice on Local Authority Accounting for IFRS 16 Leases. The Standard is expected to have a potentially significant practical and financial effect for local authorities, and it was considered that early notice of the technical requirements was advisable.

It will be of wide interest because of the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.

This guidance provides comprehensive coverage of the proposed requirements for lessees, including the accounting definition of a lease, recognition of assets and liabilities, measurement, derecognition and presentation, and disclosure in the financial statements. Although there have not been significant changes to the requirements for lessors, the guidance includes extensive commentary of this area.

The guidance covers in particular:

- identifying arrangements that meet the accounting definition of a lease
- determining the term of a lease where there are options to extend or terminate
- for lessees:
 - recognising right-of-use assets and lease liabilities, and their initial and subsequent measurement
 - reassessment of lease liabilities and treatment of lease modifications
- for lessors, distinguishing between finance and operating leases and accounting accordingly
- dealing with sale and leaseback transactions
- presenting lease transactions and balances in the financial statements
- disclosure of information about leases in the notes to the accounts
- harmonising with statutory accounting requirements
- the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

<https://www.cipfa.org/policy-and-guidance/publications/i/frs-16-leases-an-early-guide-for-local-authority-practitioners>

2. NATIONAL PUBLICATIONS – MHCLG

13. Final local government finance settlement: England, 2020 to 2021, February 2020

Following the provisional settlement, the Ministry of Housing, Communities and Local Government published the collection of documents that comprise the final settlement for Local Government.

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021>

14. Northamptonshire County Council: fourth commissioners' report, January 2020

MHCLG have published the fourth commissioner's report into Northamptonshire County Council. This report sets out the progress made to stabilise the council's finances, and to strengthen the council's scrutiny and governance processes. The commissioner's work continues to support the setting up of the 2 new shadow authorities from May 2020.

<https://www.gov.uk/government/publications/northamptonshire-county-council-fourth-commissioners-report>

2. NATIONAL PUBLICATIONS – OTHER

15. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.

Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”

The statement highlights:

- The likelihood of an increase in the number of modified audit opinions (where there are difficulties in obtaining evidence or other issues);
- Increased going concern assumption considerations and uncertainties; and
- Guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>

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Report to Audit Committee

2019/20 Proposed Accounting Policies and Critical Judgements

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Lee Walsh, Finance Manager (Capital and Treasury)
Ext. 6608

4 June 2020

Reason for Decision

In line with best practice principles, approval is sought for the significant accounting policies and the critical judgements to be adopted in the preparation of the Council's 2019/20 Statement of Accounts.

Executive Summary

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2019/20 Statement of Accounts.

Recommendations

It is recommended that the Audit Committee:

- 1) approves the Council's proposed accounting policies to be adopted in completing the 2019/20 Statement of Accounts
- 2) notes the critical judgements made by management when producing the Statement of Accounts.

1. Introduction

- 1.1 This report presents the significant accounting policies that will be used in the preparation of the 2019/20 Statement of Accounts and summarises the changes from 2018/19 that have been introduced as a result of amendments to the Code of Practice on Local Authority Accounting 2019/20 (the Code) or as part of the Council's annual review process. The report also explains the requirement to disclose the critical judgements made by management when producing the Statement of Accounts.

2. Accounting Policies

- 2.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts, and a copy of the policies can be found at Appendix 1. There have been no changes from the policies used to prepare the 2018/19 Statement of Accounts.
- 2.2 International Financial Reporting Standards (IFRS) 16 Leasing, as per the 2019/20 Code of Practice was due to be introduced for Local Government from 1 April 2020. However, due to Covid-19 the implementation has been deferred until 2021/22. More detail on this is provided in section 4 of this report.

3. Critical Judgements

- 3.1 In line with IFRS and the Code, the Council is 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 are shown at Appendix 2.
- 3.2 Critical Judgements include, which school's property, plant and equipment and Private Finance Initiative (PFI) schemes should be included on the Council's balance sheet, which entities fall within the Council's group boundary, the properties that should be classified as investment property and the election of the Council's airport investment.
- 3.3 The Critical Judgement relating to the Council's upfront payment of its Greater Manchester Pension Fund pension contributions has been updated to reflect the final year of the existing upfront payment period and the intention to prepay the contribution for the 2020/21 – 2022/23 triennial period.

4. International Financial Reporting Standard (IFRS) 16

- 4.1 IFRS 16 was meant to have been introduced for Local Authorities from 1 April 2020 which means that the annual accounts for 2020/21 should have been the first set of accounts produced in accordance with this standard. The Code of Practice on Local Authority Accounting requires the Council to disclose as a note in the 2019/20 accounts, information relating to the impact of an accounting change required by a new standard that has been issued but not yet adopted by the 2019/20 Code.
- 4.2 However, due to Covid-19 and the additional pressure Local Authorities are facing in these unprecedented times, on 20 March 2020, the Financial Reporting Advisory Board (FRAB), announced the deferral of International Financial Reporting Standard 16 (IFRS 16) implementation to 2021/22.

5. **Options/Alternatives**

5.1 The options that Audit Committee Members might consider in relation to the contents of this report are:

- a) not to approve any of the accounting policies or note the critical judgements.
- b) not to approve some of the accounting policies or note the critical judgements.
- c) to approve all the accounting policies and note the critical judgements.

6. **Preferred Option**

6.1 The preferred option is option C at paragraph 5.1.

7. **Consultation**

7.1 Consultation has taken place with the Councils External Auditors, Mazars LLP.

8. **Financial Implications**

8.1 Dealt with in the body of the report.

9. **Legal Services Comments**

9.1 There are no Legal implications.

10. **Co-operative Agenda**

10.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

11. **Human Resources Comments**

11.1 There are no Human Resource implications.

12. **Risk Assessments**

12.1 There are no risk implications as a result of this report.

13. **IT Implications**

13.1 There are no IT implications as a result of this report

14. **Property Implications**

14.1 There are no Property implications.

15. **Procurement Implications**

15.1 There are no Procurement implications.

16. **Environmental and Health & Safety Implications**

16.1 There are no Environmental and Health & Safety implications as a result of this report.

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17. **Equality, community cohesion and crime implications**
- 17.1 There are no equality, community cohesion and crime implications.
18. **Equality Impact Assessment Completed?**
- 18.1 Not Applicable
19. **Key Decision**
- 19.1 No
20. **Key Decision Reference**
- 20.1 Not Applicable.
21. **Background Papers**
- 21.1 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: Background Papers are provided at Appendices 1 and 2.
Officer Name: Lee Walsh
Contact No: 0161 770 6608
22. **Appendices**
- 22.1 Appendix 1 – 2019/20 Proposed Accounting Policies
Appendix 2 – 2019/20 Proposed Critical Judgements

Appendix 1

33. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts to the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council has a £10,000 de minimis limit for the recognition of Capital Expenditure.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets, infrastructure assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
- infrastructure – straight-line allocation up to 40 years.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and/or whose life is significantly different to the life of the host (main) asset, the components are depreciated separately.

Components are recognised in the financial year where:

- there has been a revaluation of assets;
- there has been an acquisition of assets within the financial year; and
- enhancement expenditure has been incurred within the financial year.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

1.3 Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's accounting policies on Property Plant and Equipment. However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available there is a narrative disclosure.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.4 Investment Property

Investment properties are those assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated, and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

1.5 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- The value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

1.6 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.8 Capital Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.23 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available For Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate one of its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018. The asset is initially measured and carried at fair value. The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.10 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Employee Accumulated Absence Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Greater Manchester Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by EA Finance NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Community Service & Adult Social Care Portfolio line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Greater Manchester Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pension liability is analysed into the following components:

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Greater Manchester Pension Fund - cash paid as employer contributions to the pension scheme in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve, to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and

pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of a change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances

where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement but have yet to be used to fund revenue expenditure, it is posted to the Revenue Grant Reserve. When eligible expenditure is incurred in future years the grant is transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

1.15 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are further explained in the relevant policies.

1.16 Revenue Recognition

Revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

1.17 Tax Income

Council Tax, Retained Business Rates and Business Rates Top-up Grant income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income. Business Rates, Business Rates Top-up Grant and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the Business Rates and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Business Rates and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the Authority's arrangements for accountability and financial performance, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – changes in past service costs and impairment losses chargeable on Assets Held for Sale.

Corporate and Democratic Core is identified as a separate heading in the Comprehensive Income and Expenditure Statement. Non Distributed Costs form part of the Capital, Treasury and Technical Accounting Portfolio line within the Council's local reporting format.

1.19 Value Added Tax (VAT)

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Interests in Companies and Other Entities

The Council has material interests in external entities that are classified as subsidiaries and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.22 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events - Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Non-Adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.23 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

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Appendix 2

35. Critical Judgements in Applying Accounting Policies

The following disclosure sets out critical judgements applied to the accounting policies of the Council that have a significant impact on the presentation of the financial statements. Critical estimation uncertainties are described in Note 36.

Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2017/18 – 2019/20, the Council agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment. Subsequently, on 13 April 2017 the Council paid £41.544m based on an estimated pensionable payroll of £72.000m per annum in order to make a budget saving. In line with the Council's accounting policies, in 2017/18 the amounts relating to 2018/19 and 2019/20 were offset against the pension liability on the balance sheet. These amounts were then reflected in the pension reserve in the years to which they related.

As 2019/20 was the final year of the up-front payment period, all amounts have now been reflected in the pension reserve which is aligned to the pension liability. For further details see note 29 Defined Benefit Pension Schemes.

For the 3-year period 2020/21 – 2022/23, the Council has again agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. The payment and associated transactions will be accounted for in the same way as the 2017/18 – 2019/20 payment.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school by school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools	Total
Community	28	1	1	30
Voluntary Controlled (VC)	5	-	-	5
Voluntary Aided (VA)	28	1	-	29
Foundation/Foundation Trust	1	1	-	2
Maintained Schools	62	3	1	66
Academies	24	10	4	38
Total	86	13	5	104

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

The Council has entered into Private Finance Initiative (PFI) agreements to build and operate three schools in the Borough. One is a VA school, one is a Foundation Trust school and the remaining school is an Academy. Whilst the land which the buildings are sited on has been transferred to the respective Diocese, Trust and Academy, the ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Council considers the buildings associated with these schools should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Council having a residual interest in the buildings at the end of the agreement
- The services provided and the use of the building is controlled by the Council through the PFI agreement
- The PFI agreement is between the PFI contractor and the Council

Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body. Four VC schools are owned by the Diocese which have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet. The remaining VC school land and building are owned by the Council and included on the Balance Sheet.

Legal ownership of the VA school land and buildings rests with the relevant Diocese. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. There are two Foundation schools in the Borough. For one school, the Governing Body has legal ownership of the land and buildings and thus these are included on the Council's Balance Sheet. For the remaining Foundation Trust school, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

The Council has assessed its group boundary for 2019/20 and has identified two subsidiaries who are considered to be material and will be consolidated into its group accounts. They are MioCare Group Community Interest Company (CIC) and the Unity Partnership Limited. Further details can be found in the group accounts in section 5.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

Airport Investment

The Council has a 3.22% shareholding in Manchester Airport Holdings Limited (MAHL). Following the adoption of accounting standard IFRS 9 Financial Instruments which came into effect on 1 April 2018, the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However, the shareholding is a strategic investment and not held for trading and therefore the Council has designated the investment as fair value through other comprehensive income. It is the Council's view that this is a reasonable and reliable accounting policy for the investment.

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Report to Audit Committee

Those Charged with Governance - Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

4 June 2020

Reason for Decision

To enable the Council's external auditors, Mazars, to carry out their duties under the Local Audit and Accountability Act 2014, the Director of Finance is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out their annual audit of the Council, Mazars comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs, require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

Mazars has sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the proposed response by the Director of Finance are set out in Appendix A.

Recommendations

That Members of the Audit Committee are asked to note the response of the Director of Finance to the letter from Mazars.

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10 February 2020

Dear Anne

External Audit 2019/20 – understanding management processes and arrangements

We are required by auditing standards to maintain a good understanding of your management processes and arrangements. This enables us to deliver an efficient audit, and reduces the time the Council staff needs to spend responding to our queries. As part of this process I would be grateful if you could provide a response to the following questions:

- What processes are in place at the Council to:
 - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identify and respond to **risks of fraud**;
 - **communicate to employees the Council's views on business practice and ethical behaviour** (for example by updating, communicating and monitoring against relevant codes of conduct); and
 - **communicate to the Audit Committee the processes for identifying and responding to fraud or error.**
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2019/20?
- Are there any **actual or potential litigation or claims that would affect the financial statements?**
- **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020.

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In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2019/20.

I would be grateful if you could respond by letter or email on behalf of the Council by 30 April. In the meantime, please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
Partner

Question	Management Response
<ul style="list-style-type: none"> What processes are in place at the Council to: 	
<ul style="list-style-type: none"> undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>Staff within the Finance Team attend appropriate training courses and have up-to-date technical knowledge and skills to enable them to prepare the financial statements.</p> <p>The Council has in place a robust system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed transactions. There is also management oversight and review of the accounts.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function in two stages each year. These audits include a follow up of previously agreed actions.</p> <p>The detailed audit programme for each financial system reflects the risk of fraud and error and are discussed with the Council's External Auditors, who also review the work completed. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Head of Corporate Governance (who is the designated Head of Audit at Oldham Council) gives an opinion on the overall control environment adding to the assurance the underlying processes for processing transactions are appropriate.</p>
<ul style="list-style-type: none"> identify and respond to risks of fraud; 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment. This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p>
<ul style="list-style-type: none"> communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against 	<p>The Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training. The A&CF Team delivers training which incorporates reference to this guidance.</p>

Question	Management Response
<p>relevant codes of conduct); and</p>	
<ul style="list-style-type: none"> ○ communicate to the Audit Committee the processes for identifying and responding to fraud or error. 	<p>Fraud risks and issues are reported by the Head of Corporate Governance in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting; e.g. update against specific risks in the Council's Annual Governance Statement.</p> <p>The suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 12 September 2019.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Head of Corporate Governance at the appropriate time.</p> <p>The Annual Governance Statement identifies the risks linked into the Transparency Agenda.</p>
<ul style="list-style-type: none"> • How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2019/20? 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers.</p> <p>In response to the COVID 19 pandemic which resulted in extensive home working and devolved decision making from 23 March 2020 the Council invoked emergency powers enabling key officers/ Members to take emergency decisions in line with the Constitution.</p> <p>At the Audit level, Internal Audit will review whether the Council has arrangements in place to identify the necessary legal framework and that steps have been taken to consider the matters arising.</p> <p>Specific training is also arranged by relevant teams; e.g. Legal Services.</p>
<ul style="list-style-type: none"> • Are there any actual or potential litigation or claims that would affect the financial statements? 	<p>All appropriate matters have been incorporated into the production and review of the Annual Governance Statement. As at 31 March 2020 there is no specific matter which is required to be reported upon in the accounts.</p> <p>The perceived risks in the financial year 2019/20 have been considered and appropriately reported to the Audit Committee.</p>
<ul style="list-style-type: none"> • What controls are in place to: identify, authorise, approve, account for and disclose related party 	<p>The controls in place are:</p> <ul style="list-style-type: none"> • The separate disclosure Note to the Council's Statement of Accounts "Note 12: Related Parties" (which is subject to audit) sets out the key transactions with all related parties.

Question	Management Response
<p>transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020.</p>	<ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • Officers' Remuneration is disclosed in Note 9 to the Council's Statement of Accounts. • Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out the relevant information to disclose, together with CIPFA Bulletins on Closure of the 2019/20 Financial Statements. • Internal and External Audit monitor compliance. • The Council operates a Standards Committee. • Levy Bodies are subject to a separate external audit process.

Appendix 1

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2019 – 31 March 2020 (<i>if 'yes', please provide details</i>)?</p>	<p>No, during this period of time, there has been no significant (i.e. greater than £10k) corporate (in-house) fraud committed by internal staff, which have required investigation.</p> <p>The Head of Corporate Governance has reported on a confidential basis the sensitive matters it was appropriate to highlight to the Committee providing assurance the Council has dealt with the matters appropriately. This is supported by a Tribunal judgement linked into one of these matters.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>As at 31 March 2020 all instances of suspected fraud within the organisation had been investigated.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk of the potential that management is unaware of some fraud occurring.</p> <p>An added assurance that appropriate controls are in place is the opinion, given in the Annual Report, of the Head of Corporate Governance.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud risks are captured, reported and monitored via the Fraud and Loss Risk Assessment, the Fraud Response Plan and potential fraud risks are assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p>	<p>Yes. In all financial systems for 2019/20, there are agreed processes to review transactions. The Fundamental Financial Systems reviews support this process.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee and included in the Council's Annual Governance Statement (AGS). Where appropriate, extra audit testing is conducted by Internal and External</p>

Question	Response
	<p>Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up to improve process for issues included in the AGS.</p>
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council has experienced significant change in social care and, due to the on-going integration with health partners, it continues to track the potential risk around these service areas as this is clearly an area of management focus.</p> <p>The funding provided to assist the wider government response to the COVID-19 pandemic has the potential to change the risk profile in relation to fraud, but this is an issue for the financial year 2020/21. The Council is, however, aware of the issue and is taking appropriate action in this regard.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p> <p>The Whistleblowing Policy has been reviewed and is due to be considered and approved by Full Council at its next meeting.</p>
<p>7. What concerns about fraud are staff expected to report?</p>	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the</p>

Question	Response
	<p>Council's work to come forward and voice those concerns.</p> <p>As above, the Whistleblowing Policy has been reviewed and is due to be considered and approved by Full Council at its next meeting.</p>
<p>8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p>	<p>None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified in 2019/20.</p> <p>The funding provided to assist the wider government response to the COVID-19 pandemic has the potential to change the risk profile in relation to fraud, but this is an issue for the financial year 2020/21.</p>
<p>9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee. • Levy Bodies are subject to a separate external audit process.
<p>10. Are you aware of any entries made in the accounting records that you</p>	<p>No, I am not aware of any entries in the accounting records of this nature. The</p>

Question	Response
believe, or suspect are false or intentionally misleading?	Council applies a detailed three stage quality assurance process, which incorporates independent/ “fresh eye” review prior to submitting its draft Accounts to the External Auditor.
11. Are there particular balances in the accounts where fraud is more likely to occur?	<p>The balances of Accounts Payable (AP), Accounts Receivable and Fixed Assets were reviewed twice in 2019/20 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a “fraudster” contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>The three stage Quality Assurance process ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
13. Could a false accounting entry escape detection? If so, how?	<p>This is unlikely given the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk of the potential that management is unaware of some false accounting occurring.</p> <p>An added control in this area is the review by the external audit team who provide added assurance for transactions which are in excess of the materiality value.</p>
14. Are there any external fraud risk factors, such as collection of revenues?	Revenue for Sundry Debtors, Council Tax and Business Rates is collected by the Council’s Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the Fundamental Financial Systems audits.

Question	Response
	<p>These audits include transactions processed by the relevant computer (IT) system.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all collection authorities.</p>
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets.</p> <p>Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by managers prior to finalisation.</p>
<p>16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by managers prior to finalisation.</p>
<p>17. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council intranet includes the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct, Section 12, sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Head of Corporate Governance arranged for in-house training of colleagues</p>

Question	Response
	<p>in the A&CF Team around the Bribery Act 2010, and works in conjunction with Legal colleagues, where appropriate.</p> <p>As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019.</p>

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Report to Audit Committee

Those Charged with Governance - Management Processes and Arrangements

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

4 June 2020

Reason for Decision

To enable the Council's external auditors, Mazars, to carry out their duties under the Local Audit and Accountability Act 2014, the Audit Committee via the Vice Chair is required to provide the auditors with the necessary assurances required under International Standards on Auditing (ISA), particularly, ISA 260, Communication with Those Charged with Governance.

Executive Summary

In carrying out their annual audit of the Council, Mazars comply with the International Standards on Auditing (ISAs) as adopted by the UK Financial Reporting Council (FRC).

ISAs, require the auditor to make inquiries of those charged with governance (TCWG) to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These inquiries are made in part to corroborate the responses to the inquiries of management.

Mazars has sent the Vice Chair of the Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the proposed response of the Vice Chair of the Audit Committee are set out in Appendix A.

Recommendations

That Members of the Audit Committee are asked to note the Council's response to the letter from the Mazars.

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Cllr Haque
Vice Chair of the Audit Committee
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OL1 1UT

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10 February 2020

Dear Cllr Haque

Audit 2019/20 - understanding those charged with governance processes and arrangements

We are required by auditing standards to maintain a good understanding of the Council's management processes and arrangements. This enables us to deliver an efficient audit, and reduces the time the Council's staff need to spend responding to auditors' queries. As part of this process I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- How do you exercise oversight of management's processes in relation to:
 - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
 - identifying and responding to risks of fraud in the Council, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Council's code of conduct); and
 - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2019/20? If so, please provide details.

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- How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2019/20? If so, please provide details.
- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details.

In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud**. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2019/20.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee by 30 April. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
Partner

Question	Management Response
<ul style="list-style-type: none"> How do you exercise oversight of management's processes in relation to: 	
<ul style="list-style-type: none"> undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>In my role as Vice Chair of the Audit Committee, I can advise that the Director of Finance provides regular updates to the Audit Committee and arranges for staff within the Finance Team to attend appropriate training courses so that they have up-to-date technical knowledge and skills. The Council has in place a robust quality assurance system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed transactions.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function in two stages each year. These audits include a follow up of previously agreed actions. The findings arising from the financial audits are reported to the Audit Committee on a regular basis and updates are provided against specific areas and/or systems as requested by the Audit Committee.</p> <p>The detailed audit programme, for each financial system, reflects the risk of fraud and error and are discussed with the Council's External Auditors, who also review the work completed. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Head of Corporate Governance (who fulfils the role of the Head of Audit at Oldham Council) gives an opinion on the overall control environment adding to the assurance the underlying processes for processing transactions are appropriate and this includes the conclusions from the audit reviews of the financial systems.</p> <p>The Director of Finance arranged for comprehensive third party training to the Audit Committee on 20 January 2020, which included content regarding potential risks.</p>
<ul style="list-style-type: none"> identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have 	<p>The Audit and Counter Fraud (A&CF) Team identifies and responds to the risk of fraud via the on-going review of the A&CF Plan. This is an annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment.</p> <p>This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption</p>

Question	Management Response
<p>been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;</p>	<p>Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p> <p>The Head of Corporate Governance ensures that the risk of fraud is highlighted to the Audit Committee in the regular updates reported against the Annual Governance Statement (AGS) and via the service updates submitted to the Audit Committee.</p>
<ul style="list-style-type: none"> ○ communicate to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and 	<p>The Council's Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Council's Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training. The A&CF Team delivers training, which incorporates reference to this guidance.</p> <p>The Members Code of Conduct sets out the standards expected from elected Members.</p>
<ul style="list-style-type: none"> ○ communicate to you the processes for identifying and responding to fraud or error. 	<p>As Vice Chair of the Audit Committee, I can advise that fraud risks and issues are reported by the Head of Corporate Governance in the A&CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting; e.g. update against specific risks in the Council's Annual Governance Statement (AGS).</p> <p>The suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 12 September 2019.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Head of Corporate Governance at the appropriate time.</p> <p>The AGS identifies the risks linked into the Transparency Agenda, and the Head of Corporate Governance provides regular updates to the matter reported in the AGS.</p> <p>I receive briefings on a one to one basis from the Head of Corporate Governance on matters as required.</p>
<ul style="list-style-type: none"> • How do you oversee management processes for identifying and responding to 	<p>The A&CF Plan as reported to the Audit Committee includes reviews of management process and controls. The conclusions and actions arising from the audits in the plan, and any ad hoc reviews, are reported to the</p>

Question	Management Response
<p>the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2019/20? If so, please provide details.</p>	<p>Audit Committee regularly as part of the summary of Internal Control Matters in each Directorate/service areas.</p> <p>A&CF agree recommendations with managers to improve internal control, which are routinely subject to follow-up. The 2019/20 Annual Report by the Head of Corporate Governance sets out his opinion for 2019/20 to reassure the Audit Committee.</p>
<ul style="list-style-type: none"> How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2019/20? If so, please provide details 	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers. This includes the "Risk Assessment" comments, which are provided by the Head of Corporate Governance.</p> <p>At the Audit level, Internal Audit will review whether the Council has arrangements in place to identify the necessary legal framework and that steps have been taken to consider the matters arising.</p> <p>No reports were subject to Call In by the Scrutiny Committee during 2019/20.</p>
<ul style="list-style-type: none"> Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details. 	<p>I am assured by the Head of Corporate Governance that all appropriate matters have been incorporated into the production and review of the AGS.</p> <p>As at 31 March 2020, there is no specific matter which is required to be reported upon in the accounts. The perceived risks in the financial year 2019/20 have been considered and appropriately reported to the Audit Committee.</p>
<ul style="list-style-type: none"> Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details. 	<p>By compliance with professional standards, the Director of Finance prepares a balanced budget at full Council for approval and prepares the Council's financial statements on the going concern basis of accounting. This confirms the ability of a business to meet its financial obligations when they fall due.</p> <p>The 2019/20 Draft Statement of Accounts sets out that the financial statements are prepared on a going concern basis. Additional reports such as the Reserves Policy are submitted to this Committee to provide additional assurance on the going concern basis.</p>

Question	Management Response
	<p>Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.</p> <p>In my role of as the Vice Chair of the Audit Committee I liaise closely with the Head of Corporate Governance and the Director of Finance and can therefore receive specific briefings on the overall financial position of the Council and can request detailed information on any issues should I have any concerns.</p>

Appendix 1

Question	Response
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2019 – 31 March 2020 (<i>if 'yes', please provide details</i>)?	No. During this period of time, there has been no significant (i.e. greater than £10k) corporate (in-house) fraud reported to me committed by internal staff, which has required investigation.
2. Do you suspect fraud may be occurring within the organisation?	<p>As at 31 March 2020 all instances of suspected fraud within the organisation I am assured have been investigated.</p> <p>The Council is a complex multidisciplinary organisation so as Chair of the Audit Committee I am aware that there is a risk that Officers are unaware of some fraud occurring that they would otherwise bring to my attention.</p> <p>An added assurance that appropriate controls are in place is the opinion given in the Annual Report of the Head of Corporate Governance. The routine reports to the Audit Committee on progress against the Plan set out the position on fraud uncovered.</p>
3. Have you identified any specific fraud risks within the Council?	Fraud Risks are captured, reported and monitored by the Audit Committee via the Fraud and Loss Risk Assessment, the Fraud Response Plan, and fraud risks are assessed for each audit review.
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	<p>Yes. In all financial systems for 2019/20, officers have provided assurance that there are agreed processes to review transactions.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee and included in the Council's Annual Governance Statement (AGS).</p> <p>Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p>

Question	Response
	Detailed Action Plans are in place, subject to regular follow-up to improve process for issues included in the AGS.
5. If not where are the risk areas?	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council is experiencing significant change in social care and the on-going integration with health partners. The Council continues to track the potential risks around these service areas, as this is clearly an area of management focus.</p>
6. How do you encourage staff to report their concerns about fraud?	<p>The Council's Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Council's Staff Code of Conduct. Following a risk assessment process, the A&CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p> <p>The Whistleblowing Policy has been reviewed and is due to be considered and approved by Full Council in May 2020.</p>
7. What concerns about fraud are staff expected to report?	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.</p> <p>As above, the Whistleblowing Policy has been reviewed and is due to be considered and approved by Full Council at its next meeting.</p>

Question	Response
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified, I am assured, in 2019/20.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> • Members' Code of Conduct. • Members' Register of Interests in line with the 2011 Localism Act. • Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts. • Officers' Code of Conduct requires staff are required to record Gifts and Hospitality in accordance with the Code of Conduct. • The Council operates a Standards Committee. • Levy Bodies are subject to a separate external audit process.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No, I am not aware of any entries in the accounting records of this nature. I am assured, supported by past External Audit feedback that the Finance Service applies a detailed three stage quality assurance process, which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.
11. Are there particular balances in the accounts where fraud is more likely to occur?	The balances of Accounts Payable (AP), Accounts Receivable and Fixed Assets are reviewed as part of the twice yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a "fraudster" contacts the Council to inform them that their bank details

Question	Response
	<p>have changed, in an attempt to persuade the Council to make the payment to the erroneous account. The Head of Corporate Governance reports any potential risks in the AGS.</p> <p>In addition, I am assured by key officers that the AP service and Procurement are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>I am assured that the Quality Assurance process in the preparation of the draft financial statements, by the Finance Team, ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
<p>13. Could a false accounting entry escape detection? If so, how?</p>	<p>This is considered to be unlikely given the internal and external assurance provided to the Audit Committee of the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk of the potential that management is unaware of some false accounting occurring.</p> <p>An added assurance in this area is the review of external audit who provide added assurance for transactions which are in excess of the materiality value.</p>
<p>14. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>The revenue for Sundry Debtors, Council Tax and Business Rates is collected by the Council's Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the fundamental financial systems audits. These audits include transactions processed by the relevant computer (IT) system.</p>

Question	Response
	<p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all collection authorities.</p>
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets. Regular budget monitoring is reported to Cabinet and feedback to the Audit Committee indicates reconciliations of key accounts are conducted monthly, and significant variances are investigated.</p> <p>The Council's Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by the Overview and Scrutiny Performance and Value for Money Select Committee.</p>
<p>16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, to meet financial or operating targets. The Director of Finance arranges for monthly budget monitoring to be conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by the Overview and Scrutiny Performance and Value for Money Select Committee.</p>
<p>17. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council intranet includes the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct, Section 12, sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Head of Corporate Governance arranged for in-house training of colleagues in the A&CF Team around the Bribery Act 2010, and works in</p>

Question	Response
	<p>conjunction with Legal colleagues, where appropriate.</p> <p>As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019.</p> <p>As Vice Chair of the Audit Committee, I have had appropriate guidance from Officers on this matter.</p>



Report to Audit Committee

2019/20 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Ext. 6608

4 June 2020

Reason for Decision

To present to the Audit Committee, a high-level summary of the provisional outturn position of the Council and an update on the draft Statement of Accounts for 2019/20 progress.

Executive Summary

The report presents a high-level summary of the provisional outturn position and an update of the Council's draft Statement of Accounts for the financial year 2019/20.

The report highlights:

- The revised reporting timeline for the Statement of Accounts for 2019/20
- The progress that has been made towards the completion of the accounts
- The provisional overall revenue outturn position is a surplus of £0.270m. This is an increase on the favourable variance of £0.205m projected at month 9 that was reported to Cabinet on 23 March 2020
- The provisional capital outturn is £54.383m which is an increase on the month 9 forecast expenditure of £52.497m.

Recommendations

The Audit Committee members note the updated position on the completion of the draft Statement of Accounts for 2019/20 and Council's provisional revenue and capital outturn position for 2019/20.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format across the public and private sectors giving greater transparency for stakeholders.
- 1.2 These accounting practices are set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the UK and any additional CIPFA guidance such as the year end Final Accounts Bulletins. Members of the Audit Committee can be assured that the accounts were prepared so that all the requirements of the Code have been complied with.
- 1.3 For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts have changed. Having considered the impact of the COVID-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) has introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.
- 1.4 The impact on deadlines and timescales is as follows:
- the publication date for final, audited, accounts will move from 31 July for Category 1 authorities and 30 September for Category 2 authorities to 30 November 2020 for all local authority bodies. Oldham Council is a Category 1 authority.
 - To give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 authorities) and July (for Category 2 authorities) has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.
- 1.5 This means that draft accounts must be completed and handed over for audit by 31 August 2020 at the latest (rather than 31 May 2020) although the draft accounts may be completed earlier, wherever possible.
- 1.6 For the financial year 2019/20, Authorities must publish the dates of their accounts public inspection period, and it is recommended that they provide public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020. The Council is following this recommended practice.
- 1.7 The legislation requires that following the conclusion of a 30 day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee. The public inspection period begins the day after the Council hands over the draft accounts to Mazars, the Council's external auditors.

2 Current Position and Provisional Outturn

- 2.1 Although the accounts have still to be handed over to the External Auditor, the work is substantially complete. Consequently, it is possible to advise the Committee of the provisional revenue outturn, a surplus of £0.270m at the end of the financial year. The month 9 position reported to Cabinet on 23 March 2020 projected a surplus of £0.065m, therefore the provisional surplus of £0.270m is a favourable variance of £0.205m from the last reported position. The increased surplus is in partly due to the higher than forecast underspend against Capital, Treasury and Technical Accounting budgets although this was largely offset by the adverse variances elsewhere with the Council, in particular the Community Services & Adult Social Care and Children's Services. The £0.270m will increase the Council's General Fund Balances.
- 2.2 The provisional capital outturn shows the Council spent £54.383m on its Capital Programme in 2019/20 compared to the forecast spending of £52.497m projected at Month 9 (a variance of £1.886m). The marginal increase in actual spend when compared to budget required funding allocated to future years to be re-profiled to fully finance the capital programme in 2019/20. The Capital Programme was financed through different sources but mainly the use of Government Grants and Capital Receipts.
- 2.3 The Council will submit the draft financial statements to the External Auditor later than expected due to the impact of the Covid-19 pandemic. The national lockdown and the range of new challenges facing the Council and the Finance Team has limited the ability of the Finance Team to progress the work on final accounts to the anticipated timetable. However, it must be noted that the draft Statement of Accounts should still be submitted close to the original statutory deadline for Local Authority accounts of 31 May 2020 and well ahead of the revised timeline.
- 2.4 The draft Statement of Accounts will be presented to the Audit Committee at the next meeting on 24 June 2020 and will give members the opportunity to review the accounts and ask relevant questions so they are better informed before being asked to formally approve the audited Accounts in July when the external auditors will have concluded their audit.
- 2.5 In order to facilitate the audit process, the Council has already made working papers available to the auditors and the preliminary audit work is making good progress.

3 Options/Alternatives

- 3.1 The Audit Committee members can either choose to note the high level summary and provisional Revenue and Capital outturn positions for 2019/20 or request an alternative position be prepared.

4 Preferred Option

- 4.1 The preferred option is that Audit Committee members note the high level summary and provisional Revenue and Capital outturn positions for 2019/20.

5 Consultation

- 5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP.

6 Financial Implications

- 6.1 Dealt with in the body of the report.

7	Legal Services Comments
7.1	There are no Legal implications.
8	Co-operative Agenda
8.1	Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.
9	Human Resources Comments
9.1	There are no Human Resource implications.
10	Risk Assessments
10.1	There are no risk implications as a result of this report.
11	IT Implications
11.1	There are no IT implications as a result of this report.
12	Property Implications
12.1	There are no Property implications.
13	Procurement Implications
13.1	There are no Procurement implications.
14	Environmental and Health and Safety Implications
14.1	There are no Environmental and Health & Safety implications as a result of this report.
15	Equality, Community Cohesion and Crime implications
15.1	There are no Equality, community cohesion and crime implications.
16	Equality Impact Assessment Completed?
16.1	Not Applicable.
17	Key Decision
17.1	No
18	Key Decision Reference
18.1	Not Applicable.
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: Background Papers - Accounts and Audit (Coronavirus) (Amendment)
Regulations 2020
Officer Name: Lee Walsh
Contact No: 0161 770 6608

20 **Appendices**

20.1 There are no appendices to this paper.

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Report to Audit Committee

Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLG) Prosecution Policy

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

4 June 2020

Reason for Decision

The report sets out the proposed Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF) Prosecution Policy. The policy supports the Council in the investigation of grant payments suspected of being inappropriate.

Executive Summary

In response to the COVID-19 pandemic, the Government has provided funding for the Council to administer the Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF) grant scheme. The process involves both pre and post payment checks on the grant recipients. There is an expectation that the Council in its grant administration processes will balance the speed of payments against a level of pre-payment checks to minimise inappropriate payments.

This prosecution policy is a key part of the Council's post payment checks. It supplements the Counter Fraud suite of policies reported to this Committee at its meeting on 12 September 2019. It supports the Council's approach of zero tolerance to fraud and loss.

Recommendations

That Members of the Audit Committee approve the SBGF and RHLG Prosecution Policy.

Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLG) Prosecution Policy**1 Background**

- 1.1 As the Committee charged with governance, there is a need to ensure the Council has appropriate procedures and policies in place to minimise fraud and loss. When the Council agreed its updated suite of Counter Fraud policies at the meeting of the Audit Committee on 12 September 2019 it was not responsible for administering the Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLGF). As such, the creation of this policy supports the appropriate administration of the grant schemes.

2 Current Position

- 2.1 In response to COVID-19, the Government announced there would be support in 2020/21 for small businesses, and businesses in the retail, hospitality and leisure sectors in the form of two grant funding schemes, the SBGF and the RHLGF. The Government has placed a requirement on the Council to administer these grant schemes. On 1 April 2020, the Council received £54.738m to support the payment of the grants. The Council has been expected to follow the guidance the Government produced to aid administering authorities which includes undertaking appropriate pre and post payment checks to minimise fraud and loss. Given the size of the funding allocation the undertaking of the checks has been extremely important.
- 2.2 This policy statement provides the agreed framework for Council officers involved in the investigation, sanction and prosecution following appropriate pre and post payment checks of the:
- Small Business Grant Fund
 - Retail, Hospitality and Leisure Grant Fund
- 2.3 The Council is committed under its wider fiduciary duty to protecting the public funds it administers including those provided for the COVID-19 pandemic. As such, the Council has produced this policy which confirms zero tolerance of fraud and its intention to prosecute those who it believes have committed fraud. It also supports the Government Department of Business, Energy and Industrial Strategy which has indicated in the guidance to support administration it “will not accept deliberate manipulation and fraud – and any business caught falsifying their records to gain additional grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error.”
- 2.4 **Appendix 1** attached to this report sets out the production policy in detail.

3 Conclusions

- 3.1 It is considered appropriate at this stage in the planning cycle to inform the Council's Audit Committee, in their governance role, of the Prosecution Policy and to gain any views.

4 Options/Alternatives

- 4.1 N/A.

5 Preferred Option

- 5.1 N/A.

6 Consultation

- 6.1 N/A

7 Financial Implications

- 7.1 If the Council does not have appropriate pre and post payment checks in place to administer the payments of these grants, there is a risk the inappropriate payment could be clawed back by Government impacting on the Council's own resources. Given that the Council is administering payments of up to £54.738m, an appropriate Prosecution Policy is a way that any potential financial loss can be minimised. (Mark Stenson)

8 Legal Services Comments

- 8.1 N/A.

9 Cooperative Agenda

- 9.1 N/A

10 Human Resources Comments

- 10.1 N/A

11 Risk Assessments

- 11.1 The Council's processes and policies adopted for the administration of these grants need to minimise grant clawback. (Mark Stenson)

12 IT Implications

- 12.1 N/A

- 13 **Property Implications**
- 13.1 N/A
- 14 **Procurement Implications**
- 14.1 N/A
- 15 **Environmental and Health & Safety Implications**
- 15.1 N/A
- 16 **Equality, community cohesion and crime implications**
- 16.1 This policy will tackle financial crime around Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLG). (Mark Stenson)
- 17 **Equality Impact Assessment Completed**
- 17.1 N/A
- 18 **Key Decision**
- 18.1 N/A
- 19 **Forward Plan Reference**
- 19.1 N/A
- 20 **Background Papers**
- 20.1 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: Background papers are included as Appendices
Officer Name: Mark Stenson
Contact No: Extension 4783
- 21 **Appendices**
- 21.1 Appendix 1: Oldham Council Small Business Grant Fund (SBGF) and Retail Hospitality and Leisure Grant Fund (RHLG) Prosecution Policy

Appendix 1

Oldham Council Audit and Counter Fraud

**Small Business Grant Fund (SBGF) and Retail
Hospitality and Leisure Grant Fund (RHLGF).**

Prosecution Policy

May 2020

Version Control

<i>Version</i>	<i>Version Date</i>	<i>Revised by</i>	<i>Description</i>
1	April 2020	Mark Stenson	New Policy
2	May 2020	Anne Ryans	Reviewed Policy

SBGF and RHLG Prosecution Policy

1. Introduction

In response to the COVID-19 pandemic the Government has placed a requirement on the Council to administer the grant schemes it has introduced to assist small businesses and retail, leisure and hospitality businesses with cash flow. The Council has been expected to follow the guidance it has produced to aid administering authorities.

Initially, as per the letter to Council's dated 16 April 2020 the responsible Government Department (Business, Energy and Industrial Strategy) has directed that it is important to prioritise the speed of the payments subject to minimal checks. In order to assist these pre-payment checks the Cabinet Office has made available to the Council its Spotlight Tool. This has been utilised by Oldham Council for undertaking pre-payment checks on all submissions for grants.

This policy statement provides the agreed framework for Council officers involved in the investigation, sanction and prosecution following appropriate pre and post payment checks of:

- Small Business Grant Fund (SBGF)
- Retail, Hospitality and Leisure businesses (RHLGF)

The Council is committed under its wider fiduciary duty to protecting the public funds it administers to the COVID-19 pandemic. As such the Council has agreed this policy and thereby to prosecute those who it believes has committed fraud. It supports its approach of zero tolerance to all fraud and loss. It also supports the Government Department which has indicated in the frequently asked questions to support administration (number 63) it "will not accept deliberate manipulation and fraud – and any business caught falsifying their records to gain additional grant money will face prosecution and any funding issued will be subject to claw back, as may any grants paid in error."

2. Risk Assessment of Loss due to Fraud on Grant Payments

The Council, in developing its agreed procedures to administer these grants, is following the direction of the Department of Business, Energy and Industrial Strategy (BEIS). There are several types of organisation who are entitled to these payments including:

- Limited Companies
- Sole Traders who are also the Property Owners
- Sole Traders who are leasing the property from a third party
- Sports and Athletic Clubs

One challenge to the Council in administering these payments is the data quality on its Academy System used to administer Business Rates linked into Small Rates Business Relief. These businesses have not been required to pay business rates since 2017 and as such any contact to amend the records held by the Council on its systems has only occurred when instigated by the business. An added benefit from the payment of these grants is that it will improve the quality of data held for Small Rates Business Relief.

The system therefore adopted by the Council to mitigate this risk of poor data quality has required applicants to complete an on-line form and make an appropriate declaration that they are entitled to receive the grant and provide evidence of a current bank account (preferably in the name of the business) to demonstrate they are currently operating. This has been required as a pre-payment check to demonstrate the business is still operating before payment and businesses will only be paid on the production of such information. A requirement of these businesses where applicable is to include a VAT number, although the provision of such information is not mandatory.

Prior to payment, the Council, in undertaking pre-payment checks, has utilised the Spotlight System provided by the Government. This tool enables a decision to be undertaken on the status of a limited company and whether it was in operation as at 11 March 2020. As such the pre-payment checks for this type of payee give reasonable assurance that it is a reasonable risk to pay the grant. For other organisations such as Sole Traders, Spotlight does not enable such a decision to be made so the specific pre-payment check relied upon by the Council is the submission of bank account details to demonstrate the business is currently operating. In following the government advice to prioritise speed of payment over further checks, a policy decision has been taken not to undertake further checks such as searching Social Media to demonstrate business such as Sole Traders are still operational before the grant payment is made. In doing so the Council has followed the government advice which states "Provided they are an eligible ratepayer with an eligible rating assessment then they will qualify."

In order to process the payments, the Council took the decision not to wait until the provider of the Academy system developed an automated payment facility. This has enabled the Council in line with government policy to speed up the payment process. It does however incorporate extra risk to the Council which needs to be managed, such as potential duplicate payments for multiple grant applications relating to a single property. It has also added to the Council's routine administration as the payments made will need to be reconciled to both its Academy system and Financial Ledger.

Under the Transparency Agenda the Council will publish grant payments made of £25,000 and £10,000. This will act as an indication of fraud as scrutiny is available by members of the public and will result in some queries.

The Authority has made an assessment of the risk of fraud based upon the agreed level of pre-payment checks undertaken and the need to utilise its Agresso system to make the grant payments. This Risk Assessment is maintained by the Counter Fraud Manager and has been used to determine the post payment checks of the grant payments which are to be undertaken by the Internal Audit and Counter Fraud team. It is acknowledged that these post payment checks result in the risk of not recovering actual losses including those due to fraud as it may not be possible to recover the initial grant payment.

In terms of financing the expected financial loss it is anticipated that any inappropriate payments including those assessed as fraudulent which cannot be recovered will be borne by the Government. Although there may be some risk that some costs have to be financed by the Council. This is despite complying with government direction to speed up the payments and incorporating a lesser pre-payment checking regime.

3. Results from Pre-Payment Spotlight Checks

The Spotlight checks have been carried out by the Council's Counter Fraud Function prior to the payment of the grant and used to identify those organisations registered at Companies House who have been wound up, are in liquidation, are in administration or have not filed their accounts in a timely manner.

The Council has decided the following payments will not be made in line with government guidance:

- Companies identified as dissolved.
- Companies identified as in liquidation.
- Identified as in administration.

It has however been agreed that companies will be paid if they:

- have failed to file their accounts in a timely manner.

As at 18 May 2020 the Spotlight checks had identified it was not appropriate to pay 6.9% of the Company payment requests checked.

Where the business owner has failed to provide a current bank account there are several follow up telephone calls before a rejection letter is issued. Additional emphasis will be given to post payment checks for these grant applications.

4. Other Pre-payment Checks

The Council has agreed to undertake the following pre-payment checks to support the grant payment before it is made for all grant payments:

- a) A daily exercise to identify if any payments have been made for the same property.
- b) A review of commercial property for rent within the Oldham Borough for the months of January, February and March 2020.

5. Post-Payment Review of Grants

The Council will publish the payments made on its over £500 payment listing in accordance with the Freedom of Information Act. It will investigate appropriate communications received whereby it is alleged that the business owner is not entitled to the grant.

In relation to those companies whereby grants were paid following a Spotlight Check, an investigation will be undertaken on 30 of the grant payments as they are considered to be at a lower risk of ineligibility given the pre-payment checks already undertaken on Spotlight.

In relation to those sole traders/ bodies not registered at Companies House that have received a grant following receipt of a web form submission, a check will be undertaken on 10% of grant payments.

6. Certification by the Grant Recipient

By submission of the on-line grant webform the following has been acknowledged by the business:

“Businesses who have manipulated or falsified their position in order to obtain these grants will face prosecution. Any funding issued as a result of fraud will be subject to claw back, as may any grants paid in error. The Government is supporting Local Councils to make the necessary checks to ensure payments can be verified and have been made correctly.

We may check the information you provide, or the information about you which somebody else provides, with other details we hold. We may also receive information from other people or organisations, or give information to them to check the accuracy of records, to prevent or detect crime, or to protect public funds in other ways, if the law allows us”

7. State Aid

By submission of the on-line grant webform the following has been acknowledged by the business in relation to State Aid:

The United Kingdom left the EU on 31 January 2020. Under the Withdrawal Agreement the State Aid rules continue to apply during a transition period, subject to regulation by the EU Commission. Businesses who receive awards of Government grant funding such as Small Business Grants are required to comply with the EU law on State Aid so that overall funding received in respect of State Aid does not exceed the €800,000 an undertaking can receive under the De Minimis regulations.

A review of the payments made indicate a number of grant payments have been made to recipients who are at risk of breaching the limit if support from other local authorities administering the grant scheme is considered.

8. Investigation of Suspected Inappropriate Grant Payments

All allegations of suspected inappropriate grant payments will be investigated by the Audit and Counter Fraud Function who will produce a report with a recommendation of whether to prosecute or not in relation to fraud. The standard of the investigation will enable a criminal prosecution to be undertaken. This will be reviewed by the Head of Corporate Governance who will agree the decision on whether to prosecute or not.

9. Prosecution

Prosecutions relating to this policy following the review of the investigation are to be pursued by Oldham Council's Director of Legal Services and involve cases where someone who has committed an offence in order to receive either a SBGF or RHLG. The presumption of the Council, given the value of the grant payments, is to prosecute in all cases.

Prosecution of an inappropriate grant claimant will take place in a Magistrates or Crown Court.

10. Suitability of Offenders for Prosecution

When considering whether it is appropriate to instigate proceedings, consideration will be given as to whether there is sufficient admissible evidence to justify bringing a prosecution and if the prosecution is in the public interest.

The following paragraphs outline factors that will be considered, to ensure consistent and equitable treatment of those accused of fraud.

Evidential Test

In making a decision to prosecute, the local authority must be satisfied that there is enough evidence to provide a 'realistic prospect of conviction'. A realistic prospect of conviction is an objective test meaning that a jury, magistrate or judge hearing a case which, is properly directed in accordance with the law, is more likely than not to convict the defendant of the alleged offence. Evidence must be able to be used in a court of law. It must have been gathered appropriately, in accordance with the law and be from a reliable source.

If a case does not pass the 'evidential test' it must not go ahead no matter how important or serious the offence seems. If the case does pass the evidential stage, then it should move on to the second stage to decide if a prosecution is appropriate in the public interest.

Public Interest Test

Oldham Council will always consider public interest judiciously and will balance the factors for and against prosecution objectively. In making the decision whether it is in the public interest to prosecute, the following factors will be considered.

Financial Limits

Careful consideration will be given to commencing a prosecution where the fraudulent activity has not resulted in 'significant financial gain' to the offender, for example the amount of the grant in this case is a minimum of £10,000.

Physical / Mental Factors

Consideration will be given to varying factors, when deciding whether to prosecute. Officers will consider whether there are significant personal or mental problems that may have contributed to the reasons for committing the offence. In addition, due consideration will be given where there is any evidence to suggest that the claimant or partner or a third party (for example a child) would be severely affected by the action. Other remedies are available to the Council where prosecution is deemed unsuitable.

Voluntary Disclosure

It may not be appropriate to prosecute those, whose disclosure of their own free will, has led to the identification of a fraud of which the Council was unaware. Admissions made after enquiries or an investigation had commenced do not constitute voluntary disclosure.

Previous Incidence of Fraud

Any evidence of previous benefits-related fraudulent activity would form part of the overall "prosecution assessment", regardless of whether any previous offences resulted in prosecution.

Social Factors

If it is considered that the defendant's failure to declare the correct circumstances has been caused by significant extenuating social or financial factors these would be fully evaluated. (The fact that an individual was in debt or has limited assets would not in itself meet this requirement.)

Adequacy of Evidence

Substantive evidence is essential to secure any conviction. Proceedings would not be sought if there is any doubt that the required evidence is not available. It must be clear that the fraudulent act was actually committed, that it was committed in the full knowledge of benefit regulations and that it was committed with the clear and deliberate intention to obtain property by deception. Satisfying the requirements of the Code for Crown Prosecutors Evidential Test will ensure that evidence is of the standard required by the courts.

Failure in Investigation

It should be evident on the case file that all appropriate procedures have been adhered to with regard to satisfying the requirements of the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996 and other relevant legislation. Particular consideration would also be given to any delay in the course of enquiries, which may be considered as unacceptable by the court.

Failure in Administration

Full account will be taken of poor administration or fault on the part of authority that has contributed to the processing of the fraudulent claim and subsequent award of the grant.

11. Authorisation of Prosecution

Cases being referred for prosecution will be authorised by the Head of Corporate Governance. Cases involving Council Members or employees will also be referred to the Group Solicitor or appropriate Head of Service so that any standards issues can be addressed.

Cases may also refer to the police where it is considered that the nature of the offence, or the procurement of evidence require them to undertake or assist in the investigation.

12. Proceeds of Crime Act 2003

The Council will refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order prevents a person from dealing with specified assets. A confiscation order enables the Council's agents to seek to recover its losses from assets found to be the proceeds of crime.

13. Recovery of Debt

In addition to any criminal proceedings or sanction it may impose in respect of offences committed, the Council will use all methods available to vigorously recover any overpayment arising from fraud, including taking action in the civil courts if necessary.

14. Publicity

Press releases will be issued in suitable cases to seek to maximise the deterrent effect and raise the level of public fraud awareness. Consideration will be given to the amounts involved, the nature of the offence, public interest and the deterrent value of publicising a particular case.

15. Review of Policy

In addition to an annual review, the policy will be reviewed in the light of any legislative changes; trends or other factors that impact on the effectiveness of the policy.

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Report to Audit Committee

Internal Audit Charter 2020/21

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Corporate Services

Officer Contact: Mark Stenson, Head of Corporate Governance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

4 June 2020

Reason for Decision

To advise Audit Committee Members of the proposed Internal Audit Charter for 2020/21.

Executive Summary

The work of Internal Audit at Oldham Council has been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. 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.

The 2019/20 Internal Audit Charter was approved by the Audit Committee on 7 March 2019 and Appendix 1 to this report includes the updated Charter for 2020/21.

Recommendations

Members of the Audit Committee are requested to approve the Internal Audit Charter, effective from 1 April 2020.

Internal Audit Charter 2020/21

1 Background

- 1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to public sector Internal Audit standards and guidance.
- 1.2 Local Authority Internal Audit functions should comply with the 2013 Public Sector Internal Audit Standards (Revised 2017). These Standards (PSIAS) 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; the objectives of the PSIAS are to:
- define the nature of Internal Auditing within the UK public sector;
 - set basic principles for carrying out Internal Audit in the UK public sector;
 - establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 1.3 The Standards require an independent external assessment of the Council's Internal Audit service every five years. At its meeting on 8 September 2016, Members of the Audit Committee approved the selection of the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct this external assessment and this was conducted in September 2017. The conclusions of the independent external assessment were reported to the Audit Committee meeting of 11 January 2018. Therefore, the next PSIAS independent external assessment is due by 31 March 2023.
- 1.4 PSIAS requires the "Internal Audit Charter" defines the mission, purpose, authority and responsibility of the Internal Audit function and its position within the organisation. The External Assessment report by CIPFA contained four recommendations, which were fully agreed and implemented by the Head of Corporate Governance in 2018/19.
- 1.5 In accordance with the PSIAS external assessment, the following changes were made to the 2018/19 Audit Charter and these are retained in the attached 2020/21 Audit Charter, as follows:
- The "Mission of Internal Audit" replaced the role and purpose, which was clarified in the Charter.
 - The Audit Charter incorporated a statement to confirm whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council.
- 1.6 The Internal Audit Charter for 2019/20 was approved by the Audit Committee on 7 March 2019. As part of his annual review, the Head of Corporate Governance, has reviewed the Internal Audit Charter to ensure that the recommendations from the CIPFA external assessment have been fully implemented. The proposed 2020/21 Internal Audit Charter is attached as **Appendix 1** and the Charter includes the following updates to the 2019/20 Internal Audit Charter:

- **Section 12: Review of Effectiveness of Internal Audit:** This sets out the requirement for the annual internal assessment of Internal Audit by the Audit Committee and highlights that the next PSIAS independent external assessment is due by 31 March 2023; and
- **Section 13: Head of Corporate Governance Annual Opinion:** This provides further detail of the Annual Opinion Report by the Head of Corporate Governance.

2. **Options/Alternatives**

2.1 N/A

3. **Preferred Option**

3.1 N/A

4. **Consultation**

4.1 N/A

5 **Financial Implications**

5.1 N/A

6. **Legal Services Comments**

6.1 N/A

7 **Cooperative Agenda**

7.1 N/A

8 **Human Resources Comments**

8.1 N/A

9. **Risk Assessments**

9.1 The risk assessment is based on the work completed.

10 **IT Implications**

10.1 N/A

11 **Property Implications**

11.1 N/A

12 **Procurement Implications**

12.1 N/A

13 **Environmental and Health & Safety Implications**

13.1 N/A

14 **Equality, community cohesion and crime implications**

14.1. None.

15 **Equality Impact Assessment Completed**

15.1 No.

16 **Key Decision**

16.1 N/A

17 **Key Decision Reference**

17.1 N/A

18 **Background Papers**

18.1 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: Background papers are provided at Appendix 1
- Officer Name: Mark Stenson
- Contact No: 0161 770 4783

19 **Appendices**

19.1 **Appendix 1:** Oldham Council Internal Audit Charter 2020/21.

Oldham Council Internal Audit Function

Internal Audit Charter 2020/21

Internal Audit and Counter Fraud
Level 14
Civic Centre
West Street
Oldham
OL1 1 UH

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7	Independence and Objectivity	3
8	Responsibility	4
9	Internal Audit Resources	4
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11	Reporting and Monitoring	5
12	Review of Effectiveness of Internal Audit	5
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14	Internal Audit Charter Review	6

1 April 2020

1 Accounts and Audit (England) Regulations 2015

- 1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to public sector Internal Audit standards and guidance. Local Authority Internal Audit functions should comply with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 PSIAS (also referred to, in this document, as "the Standards") define Internal Auditing as "*....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*"
- 1.3 The Standards state that the Internal Audit plan should include and/or be aligned to the strategic statement of how the service will be delivered in accordance with the Internal Audit Charter, which is illustrated by the following process flow diagram:



- 1.4 The purpose of the Internal Audit Charter is to:
- define the mission, purpose, authority and responsibility of Internal Audit;
 - establish the position of Internal Audit within the Council, its reporting lines and resources;
 - authorise access to records, personnel and physical property relevance to the performance of the audit work; and
 - define the scope of Internal Audit activities.

2 Definition of Internal Audit

- 2.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The PSIAS require that the Internal Audit Charter defines the terms 'board' and 'senior management' in relation to the work of Internal Audit. For the purposes of Internal Audit work, at Oldham Council:
- the 'Board' refers to the Council's Audit Committee which has delegated responsibility for overseeing the work of Internal Audit; "Senior Management" is defined as the Chief Executive and members of the Council's Executive Management Team; and
 - the Head of Corporate Governance reports to the Director of Finance (Chief Finance Officer), to support their requirements under Section 151 of the Local Government Act 1972.

3. Mission of Internal Audit

- 3.1 The mission of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire council.

4. Professionalism

- 4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This guidance constitutes principles of fundamental requirements for the professional practice of Internal Auditing and for the evaluating the effectiveness of the Internal Audit activity's performance.
- 4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by Oldham Council.

5. Authority

- 5.1 The Internal Audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Oldham Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities. The Internal Audit activity will also have free and unrestricted access to senior officers, Members and the Audit Committee.
- 5.2 Managers must also ensure that Internal Audit is provided with all the information and explanations that it requires in the course of its work.

6. Organisation

- 6.1 The Internal Audit Section is part of the Finance Department within the Commissioning Portfolio. The Head of Corporate Governance reports directly to the Director of Finance, and also reports functionally to the Audit Committee.

7. Independence and Objectivity

- 7.1 The Internal Audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- 7.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an Internal Auditor's judgment.
- 7.3 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.4 The Head of Corporate Governance will confirm the organisational independence of the Internal Audit activity to the Audit Committee, at least annually.

8. Responsibility

8.1 The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Reporting periodically on the purpose of Internal Audit activity, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.
- Involvement in the investigation of any allegations of fraud in accordance with the Council's Fraud Response Plan.

9. Internal Audit Resources

9.1 At Oldham Council, the Head of Internal Audit (known as the Chief Audit Executive) is the Head of Corporate Governance, who is responsible for ensuring that Internal Audit resources are appropriately organised, trained and deployed to deliver an effective Internal Audit service to the Council. In particular, his role is to ensure that Internal Audit resources:

- are appropriately qualified and experienced, and that they possess the appropriate skills, knowledge and competences to ensure due professional care;
- have sufficient knowledge of systems and ensure they have access to appropriate computer assisted audit techniques to perform their work, and data matching and analysis techniques; and
- are recruited, supported and trained using the Council's People Services standards and processes.

9.2 The Chief Audit Executive ensures that the Annual Audit Plan sets out the resources that are available, and how they will be deployed to ensure that the Plan is delivered. Specialist resources may be commissioned from other providers.

9.3 The Chief Audit Executive will report to the Council's Audit Committee, if he believes there are insufficient resources available to deliver the Plan and if the level of agreed resources will impact adversely on the provision of the annual Internal Audit opinion.

9.4 The Chief Audit Executive concludes that there are sufficient Internal Audit resources to deliver an effective Internal Audit service to the Council in 2020/21.

10. Internal Audit Plan

10.1 At least annually, the Chief Audit Executive will submit to senior management and the Audit Committee an Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

10.2 The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

10.3 The Internal Audit Plan includes a strategic statement on Internal Audit, setting out how the overall service and how specific types of audits will be delivered. The Audit Charter sets out whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council (this is set out in section 9.4 above).

11. Reporting and Monitoring

11.1 A written report will be prepared and issued by the Head of Corporate Governance or designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. Internal Audit results will also be communicated in summary to the Audit Committee.

11.2 The Internal Audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

11.3 The Internal Audit team will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

12. Review of Effectiveness of Internal Audit

12.1 The Accounts and Audit (England) Regulations 2015 and PSIAS require that the body charged with governance, which for Oldham Council is the Audit Committee, should undertake an annual review of the effectiveness of its system of Internal Audit.

12.2 The Head of Corporate Governance conducts an annual review of the Internal Audit services against criteria set out in the "Balanced Scorecard" methodology, which is based on the criteria set out in PSIAS. The outcome of this internal assessment is reported to the Audit Committee in the report "Review of the System of Internal Audit by the Audit Committee". the last internal assessment was approved by the Audit Committee at its meeting on 6 June 2019. The next report will be considered by the Audit Committee at its meeting in June 2020.

- 12.3 The PSIAS also requires an external assessment of Internal Audit every five years. The PSIAS are not prescriptive in terms of how this should be fulfilled. Guidance by the Chartered Institute of Finance and Accountancy (CIPFA) indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. In addition, it is recommended that the Head of Corporate Governance must agree the scope of external assessments with the Director of Finance and Audit Committee, as well as with the external assessor or assessment team.
- 12.4 Internal Audit will also complete an annual self-assessment against the PSIAS for approval by the Chief Finance Officer. The results of this will be reported to the Audit Committee within the Internal Audit Annual Report.
- 12.5 As reported earlier, in line with PSIAS, an external assessment of the Internal Audit service was conducted in 2017/18. Following a procurement exercise and approval by the Council's Audit Committee, this assessment was carried out by CIPFA.
- 12.6 The outcome of this external assessment was reported to the Audit Committee at its meeting of 11 January 2018. The next PSIAS independent external assessment is due for completion by 31 March 2023.

13. Head of Corporate Governance Annual Opinion

- 13.1 In addition to periodic assessments, the Head of Corporate Governance will report annually to senior management and the Audit Committee on the Internal Audit team's mission, purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.
- 13.2 The Audit Annual Opinion Report by the Head of Corporate Governance provides an overview of the work and performance of Internal Audit throughout each year. This Opinion is supported, during the year by regular reports to the Audit Committee, which provide an ongoing view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge the Internal Audit process and relevant officers in relation to specific issues identified within each Directorate/Service area.

14. Internal Audit Charter Review

- 14.1 The Internal Audit Charter will be reviewed by the Head of Corporate Governance annually, to ensure that it supports and links to the Council's corporate priorities. The Charter should be reported to Audit Committee at least every two years. The Charter was last reported to, and agreed by, the Audit Committee on 7 March 2019 and this reflected the agreed changes made to reflect the PSIAS External Assessment by CIPFA in September 2017.

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Proposed Audit Committee Work Programme for 2019/20

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Monday 20 January 2020, 6.00pm, Civic Centre	Member Training (6:00-7:30pm)	Planned training to be delivered in partnership Chartered Institute of Public Finance and Accountancy. Collaboration to ensure reflects Oldham Council arrangements.
	Audit Strategy Memorandum	This is a report produced by the external auditor to the Council (appointed by Public Sector Appointments) which sets out the planned approach to the 2019/20 Statement of Accounts and the Value for Money opinion.
	Audit Committee update on Recommendations made in Annual Audit Letter 2018/19	This is to update Members on the recommendations made arising from the external audit undertaken in 2018/19.
	Audit of Housing Subsidy 2018/19	This report considers the feedback on the audit of the housing subsidy grant claim.
	Treasury Management Strategy Statement 2020/21	This sets out the Proposed Strategy for 2020/21 to support the Corporate Objectives of the Council.
	Risk Based Verification Update	An update to the Committee on the future of this process in future housing benefit administration.
	Update of Local Code of Corporate Governance	Update of the previously agreed Local Code of Corporate Governance.
	Proposed Audit Committee Work Programme for 2019/20	This report detailing the proposed work programme to support the approval of the 2019/20 Statement of Final Accounts.
	Private Report; Follow up on Annual Governance Statement for 2018/19 and New Issues on Governance in 2019/20.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Head of Corporate Governance highlights to the Audit Committee.
Thursday 4 June 2020, 6.00pm, Virtual Meeting	Data Protection Update	Routine six monthly report by the Data Protection Officer as required under GDPR.
	Audit of Teachers' Pensions Agency Return	This report considers the feedback following the external Audit of the Teachers' Pension Agency.
	External Audit Progress Report	An update produced by the external auditor of issues to be brought to the attention of the Committee.
	2019/20 Proposed Accounting Policies and Critical Judgements	In advance of the approval of the accounts an opportunity for the Audit Committee to review the Proposed Policies and Judgements for 2019/20 Statement of Accounts.

Proposed Audit Committee Work Programme for 2019/20

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Those Charged with Governance 2019/20 (Director of Finance)	This report details the questions to those charged with Governance to enable the Statement of Financial Accounts to be audited.
	Those Charged with Governance 2019/20 (Vice Chair of the Audit Committee)	This report details the questions to those charged with Governance to enable the Statement of Financial Accounts to be audited.
	Annual Statement of Accounts 2019/20	An update on the proposed timetable for submitting accounts considering recent developments and the provisional out-turn.
	Proposed Prosecution Policy for Business Rate Grants and Hospitality Grants	An addition to the Counter Fraud Suite of policies to reflect the recent Agency Function acquired by the Council for these grants.
	Internal Audit Charter 2020/21	Proposed update to the Audit Charter for 2020/21 to reflect any changes required
	Proposed Audit Committee Work Programme for 2019/20	This report detailing the proposed work programme to support the approval of the 2019/20 Statement of Final Accounts.
	Private Report; Senior Information Risk Officer (SIRO) Update	Annual report of the SIRO including an overview of reported data breaches.
24 June 2020, Virtual Meeting	External Audit Update	An update produced by the external auditor of issues to be brought to the attention of the Committee.
	Review of System of Internal Audit by the Audit Committee	Annual Review of the system of internal audit using the balanced scorecard.
	2019/20 Annual Report by the Head of Corporate Governance	Annual Report based on the work conducted by Audit and Counter Fraud Team, Insurance/ Risk and Information Governance to determine the overall control environment of the Council.
	2019/20 Draft Statement of Accounts	Draft Statement of Accounts submitted for external audit for detailed review and scrutiny by Members.
	Annual Governance Statement 2019/20	Draft Annual Governance Statement included within the Statement of Accounts for review and scrutiny.
	Appointment of one external auditor for the Council	Report on outcome of the tender exercise.
	Proposed Audit Committee Work Programme for 2019/20	This report detailing the proposed work programme to support the approval of the 2019/20 Statement of Final Accounts.
	Private Report; if required	TBA

Proposed Audit Committee Work Programme for 2019/20
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Meeting Date & Venue	Agenda Item	Summary of Report Issue
July 2020, Civic Centre or Virtual Meeting	Treasury Management Review 2019/20	Review of the Treasury Management activities for the financial year 2019/20.
	Audit Completion Report 2019/20	This report feeds back to Members the findings of the external audit of the 2019/20 Statement of Accounts before they are approved by the Committee
	2019/20 Statement of Accounts	Statement of Accounts post audit, for approval by Audit Committee members
	Ear Marked Reserves Policy 2019/20 – 2020/21	Draft Policy for scrutiny by Members considering the audited out-turn which will give a picture on the overall financial resilience.
	2020/21 Internal Audit and Counter Fraud Plan 2020/21	A revised plan of work pre-COVID as the organisation returns to business as usual
	Private Report: if required	TBA

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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