

AUDIT COMMITTEE

Agenda

Date Thursday 25 March 2021

Time 6.00 pm

Venue Virtual Meeting
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 Kaidy McCann in advance of the meeting.

2. CONTACT OFFICER for this Agenda is Kaidy McCann email Kaidy.McCann@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, 22 March 2021.

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.

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, Iqbal and Taylor

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 - 8)

The Minutes of the meeting held on 21st January 2021 are attached for approval.

6 Annual Audit Letter 2019-20 (Pages 9 - 26)

7 Audit of Housing Benefit Subsidy 2019-20 (Pages 27 - 38)

8 Audit of Teachers' Pensions Agency Return 2019-20 (Pages 39 - 48)

9 2020-21 Final Accounts - Proposed Accounting Policies and Critical Judgements (Pages 49 - 70)

10 Audit and Counter Fraud Progress Report - March 2021 (Pages 71 - 82)

11 Internal Audit and Counter Fraud Plan 2021-22 (Pages 83 - 126)

12 Cabinet Office National Fraud Initiative Progression- Information for Elected Members (Pages 127 - 134)

13 Approved AC Work Programme Q3 and Q4 2020/21 and Planned Work programme Q1 2021/22 (Pages 135 - 140)

14 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.

15 Internal Audit and Counter Fraud Plan 2021-22 (Pages 141 - 190)

16 Business Grant Schemes Assurance Report (Pages 191 - 202)

17 Partnership Risk Dashboard (Pages 203 - 216)

18 Update on General Matters 2020-21 (Pages 217 - 226)

19 Update on the Annual Governance Statement for 2019-20 and New Issues (Pages 227 - 244)



AUDIT COMMITTEE
21/01/2021 at 6.00 pm

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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud
Lee Walsh	Finance Manager - Capital and Treasury
Barbara Mulvihill	Data Protection Officer
Alastair Newall	Mazars (External Auditors)
Sian Walter-Browne	Constitutional Services
Mark Hardman	Constitutional Services

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Hobin and Taylor.

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**

No public questions were received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED - that the minutes of the meeting of the Audit Committee held on 3rd November 2020 be approved as a correct record.

6 **EXTERNAL AUDIT PROGRESS REPORT**

The Committee gave consideration to a report which presented the External Audit Progress Report, prepared by the External Auditor, Mazars LLP and attached as Appendix 1 to the submitted report.

The External Audit Progress Report provided the Committee with an update on the progress made by Mazars LLP in delivering their responsibilities as the Council's External Auditors. It was noted that the audit of the Council's 2019/20 financial statements and value for money conclusion had been completed in November 2020, that the required audit work on

the Council's Whole of Government Accounts submission was being undertaken, and that audit planning for the 2020/21 audit would commence in January/February 2021. The National Audit Office had updated their Code of Audit Practice applying from 2020/21 and changed the work that auditors will be required to do and report on in respect of Councils' arrangements to deliver value for money in their use of resources. The report also highlighted a number of recent publications relevant to the work of the Committee, with particular attention being drawn to the response of the Ministry of Housing, Communities and Local Government (MHCLG) to the recommendations of the Redmond review of the effectiveness of external audit and transparency of financial reporting in local authorities.

RESOLVED that the External Audit Progress Report be noted.

7

DATA PROTECTION UPDATE

The Committee received an update on the Council's management and assurance in relation to data protection. The Committee was advised that the Council's Data Protection Officer (DPO) continued to provide advice and guidance to the Council and, through formally agreed service level agreements (SLA), to the Unity Partnership, MioCare and 56 schools (directly maintained and academies) based primarily in Oldham. Under the same SLAs, the Information Management Team continued to provide support and expertise across the wider information governance arena for these organisations, while also delivering an Information Governance Plus model SLA with Children's Services to drive the implementation of information governance on a variety of services/projects: this arrangement was expected to come to a natural conclusion at the end of March 2022 when the current funding stream comes to an end.

The Data Protection Board continued to meet every two months to receive progress updates and to discuss information management requirements in relation to local and wider Greater Manchester Combined Authority (GMCA) activities: the increased number of local and GMCA initiatives that use personal information required full consideration of data protection implications. Examples of joint working and activities undertaken were provided in the submitted report. Actions in respect of the submissions for the Council's Public Services Network (PSN) and Data Security and Protection (DSP) annual mandatory accreditations were advised, along with details of the impact of changes to the Data Protection Act 2018 on how requests for information should be handled by the Council.

A number of data protection incidents had been recorded since the beginning of the financial year and these continued to be actively managed by the Information Security Manager. A concern was expressed as to the number of reported instances in the Children's Services Directorate that dealt with vulnerable children and assurance was sought that no risk resulted from these breaches. The Committee was advised that a robust investigatory system was in place which included a risk

assessment to the person whose details may have been compromised. A particular issue was with pasting content into emails which was also reflected in Information Commissioner statistics. Work was undertaken via Team briefs etc to alert staff to these issues. Further matters considered in the submitted report related to the consideration of cyber-attacks, the relocation of the Council's central records, the continuing support provided to the Council and its partners, and issues related to the UK leaving the European Union.

RESOLVED that the report be noted.

8 **TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22**

The Committee received a report outlining the proposed Treasury Management Strategy for 2021/22 including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy. Part of the Treasury Management operation is to ensure that cash flow is adequately planned to deliver the Council's requirement to operate a balanced budget, with cash being available when it is needed. The second main function of Treasury Management is the funding of the Council's capital plans, guiding the borrowing needs of the Council to ensure that the Council can meet its capital spending obligations.

The Council is, pursuant to regulations supporting the Local Government Act 2003, required 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 are affordable, prudent and sustainable. The Council is 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 requires the receipt by full Council of a Treasury Management Strategy Statement. The proposed Strategy for 2021/22 covered two main areas.

Firstly, Capital issues addressing

- capital expenditure plans and the associated Prudential Indicators; and
- the Minimum Revenue Provision (MRP) Policy Statement.

Secondly, Treasury Management issues addressing

- 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; and
- the Policy regarding the use of external service providers.

The report presented an outline of the implications and key factors in relation to each of the Capital and Treasury Management issues and made recommendations with regard to the Treasury Management Strategy for 2021/22. The report further included an economic background commentary updated to reflect the latest position, especially in relation to the UK leaving the European Union on 31st December 2020.

The report was presented to the Committee to allow consideration of the proposed Treasury Management Strategy report before it is considered further in the budget setting process, with any comments being incorporated into the report to be presented to Cabinet and Council when those bodies consider the 2021/22 budget.

The practice of some local authorities to purchase property for investment, along with the Government's current views on this, was noted. In this regard, the Council's recent purchase of the Spindles Shopping Centre was queried. The Committee was advised that this purchase was part of a regeneration scheme and not a purchase made principally as an investment activity, notwithstanding that the Shopping Centre would be a Council asset and recorded on the asset register as such. The Council's debt levels were considered, noting the treatment of external capital debt and Private Finance Initiative debt, and a comparison considered with an authority that had invested heavily in property related investments.

RESOLVED that the report and following matters be commended to Cabinet and to Council –

- the Capital Expenditure Estimates as per paragraph 2.1.2 to the submitted report;
- the Minimum Revenue Provision policy and method of calculation as per Appendix 1 to the submitted report;
- the Capital Financing Requirement Projections as per paragraph 2.2.4 to the submitted report;
- the projected treasury position as at 31 March 2021 as per paragraph 2.3.3 to the submitted report;
- the Treasury Limits as per section 2.4 to the submitted report;
- the Borrowing Strategy for 2021/22 as per section 2.6 to the submitted report;
- the Annual Investment Strategy as per section 2.10, including risk management and the creditworthiness policy at section 2.11, to the submitted report; and
- the level of investment in specified and non-specified investments detailed at Appendix 5 to the submitted report.

AUDIT AND COUNTER FRAUD PROGRESS REPORT

The Head of Corporate Governance reported on the work carried out by the Audit and Counter Fraud Team in the period to 31st December 2020.



The Team had continued to prioritise work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. The FFS audits were well underway, the initial stage being near to completion in reviewing 14 systems with throughput value of over £10m. Due to the pandemic, Internal Audit continued to provide significant non-audit related administration support to Revenues and Benefits services in the processing of Business Grants and in providing advice to support the Council in considering its response to managing Supplier Relief.

Other Audit and Counter Fraud Team work in this period included

- contributions to reviewing and controls around processing Winter Grants, and continued support around Business Grants and Discretionary Business Grants;
- carrying out investigations around potential fraud and error on Business Grants;
- Advisory work to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system;
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF) and Discretionary Grant Fund (DFG) administered by the Council;
- the Counter Fraud and Direct Payments Audit Teams (Adults and Children) continuing to deliver outcomes which have generated £198,645 and £1,421,626 (respectively) during the first 9 months of the year to 31 December 2020; and
- the Team continuing to collaborate with colleagues to procure and implement a cost effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money.

With reference to Appendix 1 and the summary of reports concluded in the period to 31st December 2020, a Member queried 'Green' ratings allocated in certain areas which, it was suggested, gave a wrong impression. The Committee was advised that the ratings recorded related only to the particular scope of the investigation.

A Member noted that pandemic-related Business Grants were ongoing and queried what checks the Council was making as to eligibility. It was acknowledged that managing and monitoring the various grants process was complicated, with a number of

schemes running. However, Licensing and other Teams provided feedback to the Team, in addition to the Team's own processes. There had also been some whistleblowing from the public. The Committee was advised that wrongful receipt of grants was fraud and that correspondence to recipients did note this fact. It was considered that the Council and its investigatory team was doing its best to minimise fraud.

RESOLVED that the report be noted.

10

**CABINET OFFICE NATIONAL FRAUD INITIATIVE
ARRANGEMENTS FOR 2020/21**

The Committee was advised of the Council's participation in the Cabinet Office National Fraud Initiative (NFI) 2020/21 exercise and of the proposed work to be carried out by the Audit and Counter Fraud Team in conjunction with the Initiative.

The NFI is a long-standing data matching exercise which matched electronic data within, and between, participating bodies to prevent and detect fraud and error. The exercise has been conducted primarily through matching sets of prescribed data that each local authority maintains, with similar data sets submitted by other local authorities, public bodies and a number of private sector bodies. The arrangements for, and the data sets to be reviewed within, the 2020/21 exercise were outlined, and reports providing an update on the outcomes from the investigations undertaken on the 2020/21 data matches would be brought to future meetings of the Audit Committee.

RESOLVED that the report be noted.

11

**PROPOSED AUDIT COMMITTEE WORK PROGRAMME
FOR 2020/21**

Further to the submitted work programme, the Head of Corporate Governance noted that, further to the Redmond Review, additional meetings of the Committee might be required to consider the draft accounts due to an increased number of technical reports.

RESOLVED that the submitted Audit Committee Work Programme 2020/21 be noted.

12

EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following 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.

13 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2019/20 AND NEW ISSUES**

The Head of Corporate Governance provided an update on 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 2019/20 and in identifying new risks which are considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2020/21.

RESOLVED that the report be noted.

14 **UPDATE ON GENERAL MATTERS IN 2020/21**

The Head of Corporate Governance provided an update Members on two Local Authorities which had been subject to a public interest report and a third Authority which was to be subject to a Best Value Inspection, highlighting particular issues for Members' attention. An update in respect of specific litigation in which the Council was involved was also provided. Members considered circumstances and issues arising in respect of those Authorities subject to public interest reports.

RESOLVED - that

1. the report be noted;
2. the matters highlighted in paragraph 4 to the submitted report be progressed as proposed.

15 **BUSINESS GRANT SCHEMES ASSURANCE REPORT - SMALL BUSINESS GRANT FUND, RETAIL HOSPITALITY, LEISURE GRANT FUND AND DISCRETIONARY GRANT FUND**

The Head of Corporate Governance reported on the assurance data provided by the Council to the Department for Business, Energy and Industrial Strategy (BEIS) on the administration of the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant Fund, and the Discretionary Grant Fund (DGF) regimes. These grant funds allowed payments to be made to eligible businesses and had been introduced by Government to provide emergency support due to the COVID-19 pandemic. In considering and seeking clarification as to ongoing action being taken by the Council in respect of Business and other grants, the Committee queried the actions being taken to mitigate fraud and what the implications might be for businesses in respect of recent court rulings concerning insurance, and were further asked to note the complexity caused by the number of grant schemes established to support businesses during the pandemic.

RESOLVED that the report be noted.

The meeting started at 6.00 pm and ended at 8.02 pm

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Oldham
Council

Report to Audit Committee

Annual Audit Letter 2019/20

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

25 March 2021

Purpose of Report

The Annual Audit Letter formally reports that the external audit of the 2019/20 Statement of Accounts is complete.

Executive Summary

The Annual Audit Letter for the financial year 2019/20 prepared by the Council's External Auditor, Mazars LLP, is presented at Appendix 1. It summarises the work undertaken by Mazars LLP for Oldham Council for the year ended 31 March 2020. It highlights the:

- Scope of the audit and the results of the work, stating that the financial statements give a true and fair view of the Council's financial position as at 31 March 2020;
- The approach to materiality;
- The response to significant risks, which disclosed that there were no significant matters arising from Mazars' work on the management override of controls;
- Internal control recommendations, whereby Mazars LLP did not identify any internal control deficiencies to report to the Council;
- The Value for Money conclusion, which states that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020;
- Significant audit risks – one was identified around financial sustainability but the conclusion was that for 2019/20 the Council had made proper arrangements to deliver financial sustainability in the medium term;

- Matters reported by exception;
- Completion of the Whole of Government Accounts;
- Consideration of other information published alongside the financial statements.

Recommendations

That Members of the Audit Committee note the Annual Audit Letter for 2019/20.

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Annual Audit Letter

Oldham Metropolitan Borough Council

Year ending 31 March 2020





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Oldham Metropolitan Borough Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 10 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended. Our report included an emphasis of matters paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of the Council's share of Greater Manchester Pension Fund's property assets included in the net Pension Liability.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit & Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

		Council	Group
Financial statement materiality	Based on 1.5% of the gross expenditure at the Surplus/Deficit on Provision of Services level	£13,400,000	£13,500,000
Trivial threshold	Based on 3% of financial statement materiality	£402,000	£405,000
Specific materiality	- Officer Remuneration bandings	£5,000	n/a
	- Related Party Transactions	£50,000	n/a



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit & Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> Accounting estimates impacting on amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>There were no significant matters arising from our work on the management override of controls</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Property, plant and equipment valuation</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end. Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>	<p>We:</p> <ul style="list-style-type: none"> • Obtained an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Council; • Obtained an understanding of the basis of valuation applied by the valuer in the year; • Obtained an understanding of the Council's approach to ensure that assets not subject to revaluation in 2019/20 are materially fairly stated; • Obtained an understanding of the Council's approach to ensure that assets revalued through 2019/20 are materially fairly stated at the year end; • Sample tested the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations; • Used relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020; • Compared the investment property valuation to our external valuation expert's estimate of the valuation; • Obtained an understanding of the valuer's consideration of RICS guidance on material uncertainty relating to valuations, and considering whether there was evidence of material uncertainty; and • Tested the accuracy of how valuation movements were presented and disclosed in the financial statements. Testing a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements. 	<p>We concluded that the valuation of the Council's Property, Plant & Equipment was materially fairly stated.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of Defined Benefit Pension Liability</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>	<p>We:</p> <ul style="list-style-type: none"> • Obtained an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council; • Obtained confirmation from the auditor of the Greater Manchester Pension Fund that there were no deficiencies in controls in place at the Pension Fund. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate; • Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor; • Reviewed the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations for the Council and the two subsidiary companies. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and • Agreed the data in the IAS 19 valuation reports for the Council and the two subsidiary companies provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and the Group's financial statements. 	<p>Our work on the valuation of the LGPS Pension Liability has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated.</p> <p>However, the Council disclosed in Note 36 that the valuation of the property assets held by Greater Manchester Pension Fund were subject to 'material valuation uncertainty' as a result of COVID-19, and we included an 'emphasis of matter' in our auditor's report.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported.

We did not identify any internal control deficiencies to report to the Council.



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
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Our approach to the value for money conclusion

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined overleaf.

Overall Conclusion

Our auditor’s report, stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.



3. VALUE FOR MONEY CONCLUSION

Significant audit risks (continued)

Risk	Work undertaken	Conclusion
<p>Financial Sustainability</p> <p>The Council's medium term financial strategy for the period 2019/20 to 2023/24 sets out the financial challenges it faces, highlighting a significant financial gap by 2023/24 to achieve a balanced budget. The Council has used reserves to balance previous years' budgets. In-year projections indicate an overspend in service budgets, in particular Education and Early Years. This is offset by projected underspends in capital financing, increased treasury management income and additional grants. The continuing challenges the Council faces are not new and are not unique to Oldham Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>Work undertaken</p> <p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience.</p> <p>Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans. In addition to considered the Council's arrangements in place in 2019/20 in the context of the emerging impact of the COVID-19 pandemic.</p> <p>The Council set balanced budgets for 2019/20 and 2020/21. The budget for 2019/20 was set with assumptions of significant levels of budget reductions from the standstill position in the previous year (£7.8m) and utilising significant levels of earmarked reserves (£8.8m). The outturn reported results for the year show a small underspend against the budget (£0.2m) but this is after the Council received £7.6m of central government funding for the impact of COVID-19 in late March 2020 – funding which will be predominantly spent during 2020/21. This enabled the Council to not have to rely on utilising reserves in 2019/20 to support the spending, and this has meant the General Fund balance is £15m and Revenue Earmarked Reserves are £79m as at 31 March 2020.</p> <p>The Council's monitoring of its 2019/20 budget has been through detailed 'officer-led' monthly monitoring, with quarterly reporting to Council members in the Cabinet. The reporting provides a timely and detailed report of the current position and the projected position at the year end. The review of the monitoring in year identifies that the Council undertakes a robust review and regular reporting. The in year monitoring has been largely accurate and has predicted the level of overspending through the year, enabling timely mitigating decisions to be taken.</p> <p>(continued)</p>	<p>We conclude that for 2019/20 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p>



3. VALUE FOR MONEY CONCLUSION

Significant audit risks (continued)

Risk	Work undertaken	Conclusion
Financial Sustainability (continued)	<p>Findings (continued)</p> <p>The financial position for 2020/21 is significantly more challenging. The Council agreed its budget for 2020/21 before the COVID-19 pandemic. That pre-COVID-19 budget assumed budget reductions from the standstill position in 2019/20 of £1.7m, identified a further requirement for £18.1m of savings of which £3m were specifically approved, assumed that £10m of the £18.1m would be funded through the Council’s earmarked reserves, with the remaining £5.1m planned to be funded from other one off measures. Even before the impact of COVID-19 on the Council’s financial position, the 2020/21 budget presented a significant challenge to the Council’s long term financial sustainability.</p> <p>The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years. What is certain is that there are significant additional cost pressures, particularly in delivering Adult & Children’s Social Care, and significant levels of lost income. The lost income relates to fees and charges, income from the Council’s investments including that in the Manchester Airport Group and the impact on the Collection Fund.</p> <p>The Council has significant levels of earmarked reserves as at 31 March 2020, but these are not sufficient to sustain the Council’s financial position over the medium term given the estimated impact. The Council has acknowledged that it needs to quickly make difficult strategic decisions, particularly relating to its capital programme and development plans for the borough. Ensuring the Council remains in a robust financial position is essential.</p> <p>At the time of setting the 2020/21 budget, the Council’s medium term financial strategy also recognised that the transformation programme was expected to deliver savings across a range of areas. Whilst these savings plans were not yet fully identified, the importance of the transformation programme in supporting the longer term financial sustainability of the Council was recognised. The subsequent impact of the COVID-19 pandemic has understandably meant the Council’s focus has turned to urgent service delivery and business continuity matters, but the delivery of the longer term transformational savings is still critical to delivering the medium term financial strategy.</p>	



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We completed this work and submitted this information to the NAO on 15 February 2021.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit & Governance Committee in December 2019.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	104,428	104,428
Fee variations*:		
Recurrent scope changes due to increased regulatory expectations:		
• Additional testing on Property, Plant & Equipment		11,000
• Cost of engaging an external valuer		750
• Additional testing on Defined Benefit Pensions Schemes		6,000
In year scope changes due to Covid-19 and pension legal cases including:		
• impact of 'Material Valuation Uncertainty' on the Council's share of Pension Fund property assets;		1,500
• additional considerations of estimation uncertainty in going concern;		2,000
• changes impacting pension liabilities through the McCloud and Goodwin legal cases.		1,000
Additional requirements for Oldham MBC:		
• Enhanced audit reporting		4,500
• Additional audit work on financial instruments		1,500
• Additional audit work on operating leases		1,500
Total audit fee	104,428	134,178

*Fee variations subject to confirmation from PSAA

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.



6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Standards and Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

The recommendations and findings have been considered by the Ministry of Housing, Communities and Local Government and their response was published in December 2020. The response accepted some recommendations but did not accept others.

We look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.



CONTACT

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws

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Report to Audit Committee

Audit of Housing Benefit Subsidy 2019/20

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

25 March 2021

Purpose of Report

Attached to this report, at Appendix 1, is the outcome of the audit of the Housing Benefit Subsidy for the financial year 2019/20.

Executive Summary

The audit of the Housing Benefit Subsidy claim is undertaken by KPMG UK LLP. The outcome of this audit is attached to this report.

The summarised findings overall are positive, with one error identified as having an impact on the value of the claim. This was a minimal amount in relation to the value of transactions processed.

The initial testing identified one case in which the expenditure was misclassified due to system error, where a value had been understated. As such an additional 40 claims were tested to ensure that the correct calculation had been applied in each case. Additional testing of a random sample of 40 cases identified no further cases with this error.

Recommendations

That Members of the Audit Committee note the outcome of the Housing Benefit Subsidy audit 2019/20.



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Our ref KPMG/OLD/BEN01

Contact Rob Jones
07799 865451

Private & confidential

Housing Benefit Unit
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Anne Ryans
Director of Finance / S151
Oldham Metropolitan Borough council
Level 3, Civic Centre
West Street
Oldham
OL1 1UT

29 January 2021

Dear Anne,

Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2020

This report is produced in accordance with the terms of our engagement letter with Oldham Metropolitan Borough council dated 26 March 2019 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2019/20 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Oldham Metropolitan Borough council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 12th May 2020.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2019/20.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2019/20 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2019/20 dated 12th May 2020 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400*,

Engagement to perform agreed-upon-procedures regarding financial information. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 12th May 2020, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

Cell 011 Non HRA Rent Rebate

Initial Testing of Cell 011 identified 1 claim in which the system had incorrectly misclassified the expenditure between cells 14 and 15.

Cell 055 HRA Rent Rebate - No claims were found to be in error.

Cell 094 Rent Allowance - No claims were found to be in error.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2: We have completed the uprating checklist and no issues were identified.

Completion of Module 5: We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience (CAKE)

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Rent allowances – Incorrect self-employed earnings – 1 failure from 40 tested. (See Observation found – Appendix B)
- Rent allowances – Eligible overpayment classification – no failures from 40 tested.

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The following CAKE tests have returned no errors and are considered as closed:

Rent allowances – Eligible overpayment classification.

Summary paragraph/ending of letter

For the form MPF720A dated 12th May 2020 for the year ended 31 March 2020 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

KPMG LLP

KPMP LLP

Chartered Accountants

Name for enquiries: Rob Jones.

Attachments:

- Appendix A Exceptions/errors found
- Appendix B Observations
- Appendix C Amendments
- Appendix D Other Matters

Appendix A Exceptions/errors found

Cell 14 and 15 expenditure misclassification

Cell 011: Non HRA Rent Rebates total expenditure

Cell 11 Total: £605,658

Cell 14 Total £172,358 – sub population

Cell 11 Population: 407 cases

Cell 14 Population: 125 cases – sub population

Headline Cell: £605,658

The initial testing of cell 11 identified 1 case (Value: £3,474.25) in which the expenditure was misclassified between cell 14 and 15 due to system error. Cell 14 had been understated as the claim for one week was not up to the full cap, and therefore Cell 15 had been overstated by £32.29. Additional 40+ testing was undertaken of Cell 14 to ensure that the correct cap has been applied in each case.

Additional Testing

Testing of an additional random sample of 40 cases identified no further cases with this error.

We have extrapolated this error over the population of cell14 cases below:

Sample	Movement / brief note of error:	Original cell total: sub population (claims in cell 14)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 9 cases	Cell 14/15 expenditure misclassification	£172,358	£32	£33,439		
PAKE sample 40 cases	Cell 14/15 expenditure misclassification	£172,358	£0	£51,440		
Combined sample – 41 cases	Cell 14 expenditure misclassification	£172,358	£32	£84,879	0.038%	£65
Corresponding adjustment:	Cell 15 is overstated					-£65
Total corresponding adjustment	Total understatement of Cell 14					£65

Appendix B Observations

Cell 094 – Incorrect self-employed earnings

Cell 094: Rent Allowance total expenditure

Cell Total: £46,846,816

Cell Total £2,508,492 – sub population

Cell Population: 12,441 cases

Cell Population: 670 cases – sub population

Headline Cell: £46,846,816

Errors which do not affect the amount of subsidy claimed

The CAKE testing identified 1 case where self-employed earnings were incorrectly calculated, however as the self-employed earnings were 100% disregarded in the benefit calculation, this had no impact on the benefit entitlement or subsidy claimed.

Appendix C: Amendments to the claim form MPF720A

There are no amendments to report.

Appendix D Additional issues

There are no additional issues to report.

Housing Benefit Assurance Process (HBAP) Module 5: Capita - noncompliance data return - Appendix 2

Please indicate which control matrix questions the authority failed on completion of HBAP Module 5 and attach this Appendix 2 to the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

NB: Reporting Accountants are required to confirm that module 5 has been completed within the final HBAP Report submitted to DWP as specified in HBAP Modules 1 and 6.

Audit Scotland, Wales Audit Office & Firms should also inform their HB Leads.

Authority: Oldham Metropolitan Borough council Audit Manager: Matthew Moore

HB System: Capita

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
1) Has the authority used the correct version of the benefits software?	N/A		
2) Has the authority ensured that it has received all the relevant patches / upgrades throughout the year?	N/A		
3) Has the authority received and loaded the latest patch for the claim onto the benefits system?	N/A		
4) Has the authority performed all the recommended validation checks / recalculations suggested on patch upgrade?	N/A		
5) Has the authority used the correct version of the year end subsidy program to compile the claim?	N/A		
6) Has the standard claim reconciliation methodology been followed?	N/A		

Control Question:	Please indicate those questions that the authority failed:	Comments:	Included in qualification letter (yes or no)? If no please state reasons:
7) Can you agree claim compilation methodology to standard and have all claim reassessments / validation checks been complied with before claim completion?	N/A		
8) Has the claim form, with its included payment runs, been correctly completed to meet the definition of the Subsidy Order (see control objective 4 above)?	N/A		

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Report to Audit Committee

Teachers Pension Agency 2019/20 End of Year Certification

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

25 March 2021

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 2019/20.

Executive Summary

On 25 February 2021 the Teachers' Pension Agency confirmed their agreement to the contributions paid over to them by the Council for the financial year 2019/20.

Recommendations

That Members of the Audit Committee is asked to note the Certification of the Teachers' Pension Return, attached at Appendix 1, for the financial year 2019/20.



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Our ref RJ/RP/BD

Contact Rebecca Dingwall
 07909 535920

FAO: Anne Ryans
 Director of Finance
 Oldham Metropolitan Borough Council
 Level 3, Civic Centre
 West Street
 Oldham
 OL1 1UT

25 February 2021

Dear Sir/Madam

**Oldham Metropolitan Borough Council - Reporting on agreed upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2020
 LA Number: 353 0000**

This report has been produced in accordance with the terms of our engagement letter dated 17 November 2020 ("the Engagement Letter") and in accordance with the International Standard on Related Services 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* as published by the International Auditing and Assurance Standards Board ("IAASB").

The procedures were performed solely for the purpose of assisting Oldham Metropolitan Borough Council fulfil their responsibilities, under the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512), for preparing the End of Year Certificate ("EOYC") for the year end 31 March 2020. The EOYC must be accompanied by a reporting accountants' report prepared following the performance of procedures set out in the guidance note "Reporting Accountants Guidance TP05 (FY19/20 Version 1)" issued by Teachers' Pensions ("the guidance"). We attach, a copy of the EOYC prepared and submitted by management. Where appropriate, this copy identifies errors corrected by management. Management are responsible for the preparation and submission of the EOYC and for all corrections.



KPMG LLP

Oldham Metropolitan Borough Council - Reporting on agreed upon procedures in respect of
Teachers' Pensions End of Year Certificate for the year ended 31 March 2020
25 February 2021

Report of factual findings and exceptions

We have performed our work as set out in Appendix I to this report.

We have noted exceptions and/or errors in the performance of procedures 3 and 6.

The nature and magnitude of the exceptions and/or errors are described alongside the relevant procedure within Appendix I. We also report management's explanations for any errors and/or exceptions identified.

We have not subjected the information contained in our report or the appendices (including explanations and representations received from the Responsible Finance Officer and reported to you) to checking or verification procedures except to the extent expressly stated. This engagement does not constitute an audit in accordance with International Standards on Auditing (UK) or a review in accordance with International Standards on Review Engagements (UK and Ireland) and, as such, no assurance is expressed. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

You were responsible for determining whether the agreed-upon procedures we performed were sufficient for your purposes and the purposes of Teachers' Pensions having due regard to the guidance issued by TP. We cannot, and do not, make any representations regarding the sufficiency of these procedures for your purposes or for the purposes of Teachers' Pensions.

Our report is prepared solely for the confidential use of Oldham Metropolitan Borough Council and for Teachers' Pensions. Our report must not be used for any purpose other than for which it was prepared or be reproduced or referred to in any other document or made available to any third party without the written permission of KPMG LLP. We accept no liability to any other party who is shown or gains access to this report. This report relates only to the matters specified above and does not extend to any financial statements of Oldham Metropolitan Borough Council taken as a whole.

Yours faithfully

KPMG LLP
Chartered accountants

APPENDIX I - AGREED UPON PROCEDURES AND FINDINGS MATRIX

This is an illustrative schedule to attach to the report. It is the Reporting Accountants responsibility to complete this appendix, checking against the actual tests completed. In preparing this appendix, Reporting Accountants need only provide the last column if there are exceptions to report. Where no exceptions were identified the comment “No exceptions noted” should be included in the penultimate column.

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
1	We have checked that all relevant parts of the return have been completed (in pounds and pence) and that the employer’s certificate bears the signature of the Responsible Finance Officer.	No exceptions noted.	
2	We have checked that all arithmetic on the return is correct including: (a) that the totals in section 3 are arithmetically correct; (b) that the total in section 3 column 1 agrees with the entry in section 1 (box 1); (c) that the total in section 3 column 2 agrees with the entry in box 2a(iv); (d) that the total in section 3 column 3 agrees with the entry in box 2a(v); and (e) that the overall balance in box 2e has been calculated correctly.	No exceptions noted.	

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
3	We have checked that the breakdown of contributions in each tier casts to the percentage rate of the contributory salary.	We noted variances of -£26 under Teachers Contributions and -£404.58 under Employer's Contributions.	One Employee was not paid in from April 19 to June 19 and was then back paid the amount outstanding. Our Pensions Manager believes that the employee might have been underpaid on her pensionable pay whilst receiving the correct contributions. The Payroll team are investigating and the shortfall will be paid in November 2020. The remaining variances are due to roundings.
4	We have checked that entries on the return and supporting working papers agree with the employer's payroll records, including amendments, and, where necessary, information from other payroll providers, for the return period.	No exceptions noted.	
5	We have checked that contributions paid in box 2d provided by TP agree with the employer's accounts.	No exceptions noted.	
6	For a sample of 62 teachers paid by the employer payroll and (where available) third party payrolls, we have checked: <ul style="list-style-type: none"> (a) the status of the teacher to the employer portal; (b) that contributory salaries have been agreed to payroll records and included in section 3 column 1 in the correct tier; 	<ul style="list-style-type: none"> 1) For one Employee their total actual annual salary falls into Tier 3 (9.6%). 2) One employee had a small variance of £0.06 based on the teachers expected calculation and the teachers 	<ul style="list-style-type: none"> 1) This issue has been rectified and the employee is being written to collect the arrears. 2) This variance is due to rounding differences. No adjustment is required.

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
	<p>(c) that teachers' contributions have been deducted at the correct tier rate and included in section 3 column 2 in the correct tier; and</p> <p>(d) that employer's contributions have been calculated correctly and included in section 3 column 3.</p>	<p>contributions on the EOYC.</p>	
7	<p>For two teachers who fall into one of the following categories we have checked that all:</p> <p>(a) Career average flexibilities payments have been deducted correctly and included in box 2a(i);</p> <p>(b) additional pension payments have been deducted correctly and included in box 2a(ii);</p> <p>(c) additional contributions have been deducted correctly and included in box 2a(iii)</p> <p>(d) deductions and interest for teachers with EFE elections are calculated correctly and included in box 2b(i)</p> <p>(e) Preston contributions have been deducted correctly and included in box 2b(ii)</p>	<p>No exceptions noted.</p>	

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
	(f) TR22 contributions have been deducted correctly and included in box 2b(iii)		
8	We have checked that all short term pension payments made by the employer in box 2c(i) for teachers who have died before 1 February 2016 agree to correspondence from Teachers' Pensions.	N/A	
9	We have checked all prior year refunds in box 2c(ii) to correspondence from Teachers' Pensions.	No exceptions noted.	
10	For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.	We can confirm that we have obtained management representations.	

Teachers' Pensions Contributions for Financial Year 2019/20



Please familiarise yourself with the instructions, to complete, upload and print your EOYC.

To create your Declaration form to be signed, first create your .CSV to upload via the button to the right, then that same button becomes Print File. Click it and ensure you click to print entire workbook.

Unaudited EOYC forms should be uploaded to the employers portal no later than 31 May 2020

Employer Information

Local Authority/Establishment Name:

OLDHAM METROPOLITAN BOROUGH COUNCIL

Local Authority/Establishment Number:

LA Number

Establishment Number

353

0000

(For Local Authorities, please enter the establishment number as '0000')

Employer Type

Please select your Employer Type from the dropdown list below, before completing the remainder of this form.

Employer Type:

Local Authority

Section 1: Total Actual Contributory Salary

Total Contributory Salary:

£45,166,385.27

Section 2: Summary of Contributions

	i. Career Average Flexibilities (Note 3)	ii. Additional Pension Payments (Note 3)	iii. Additional Contributions (Note 3)	iv. Teachers' Contributions	v. Employer's Contributions	Total Contributions
a. Contributions deducted (as per contributory salary at 1 - see Note 4)	£99.21	£6,518.07	£12,354.26	£4,210,568.11	£9,342,351.52	£13,571,891.17
			i. Arrears deducted in respect of EFE Elections (Note 5)	ii. Contributions deducted in respect of PRESTON (Note 6)	iii. TR22 Election amounts deducted (Note 7)	Total Extra Contributions
		b. Extra contributions deducted	£0.00	£0.00	£0.00	£0.00
				i. Short Term Pension	ii. Refunds made (in respect of previous years only)	Total Refunds made
		c. Refunds Made		N/A	£16,787.48	£16,787.48
				d. Contributions Paid (Note 8)		£13,558,686.74
				e. Overall Balance (2a + 2b) - (2c + 2d)		£3,583.05

Section 3: Analysis of Contributions by Tier

Tier (Percentage Rate)	Period 1 - 01/04/2019 to 31/08/2019		
	Contributory Salary	Teachers' Contributions	Employer's Contributions (16.48%)
Tier 1 (7.40%)	£3,647,019.54	£269,877.89	£601,030.36
Tier 2 (8.60%)	£4,306,204.55	£370,541.76	£710,061.69
Tier 3 (9.60%)	£4,926,494.15	£472,944.49	£811,888.11
Tier 4 (10.20%)	£3,604,289.58	£367,636.89	£593,988.59
Tier 5 (11.30%)	£1,915,885.52	£216,495.05	£315,738.30
Tier 6 (11.70%)	£398,066.40	£46,573.88	£65,601.39
Tier (Percentage Rate)	Period 2 - 01/09/2019 to 31/03/2020		
	Contributory Salary	Teachers' Contributions	Employer's Contributions (23.68%)
Tier 1 (7.40%)	£4,322,434.92	£319,856.64	£1,023,553.64
Tier 2 (8.60%)	£5,957,734.56	£512,365.26	£1,410,791.09
Tier 3 (9.60%)	£7,285,468.12	£699,228.61	£1,725,198.45
Tier 4 (10.20%)	£5,651,331.91	£576,434.86	£1,338,234.85
Tier 5 (11.30%)	£2,527,023.64	£285,554.18	£598,399.50
Tier 6 (11.70%)	£624,432.38	£73,058.60	£147,865.55
TOTALS	£45,166,385.27	£4,210,568.11	£9,342,351.52

NB: Totals from Section 3 should be identical to the figures in Sections 1 and 2

Teachers' Pensions Contributions for Financial Year 2019/20

Section 4: Certificate to be given by the Chief Finance Officer of the Local Authority

I hereby certify that, to the best of my knowledge and belief, the entries on this form are correct and that, in accordance with the regulations underpinning the Teachers' Pension Scheme:

- Employee contributions have been correctly calculated, deducted from pensionable salary and remitted to Teachers' Pensions in respect of all employees who are members of the scheme;
- Employer contributions have been correctly calculated and remitted to Teachers' Pensions based on pensionable salaries and applicable contributions rates
- I am satisfied that the authority has adequate systems in place and has obtained supporting evidence which confirms that those entries in respect of teachers in schools maintained by the Local Authority whose salary payments are administered other than directly through the LA payroll, are correctly calculated and paid to Teachers' Pensions.

Name (in capital letters)

ANNE RYANS

Position

DIRECTOR OF FINANCE (SECTION 151 OFFICER)

Email Address

anne.ryans@oldham.gov.uk

Telephone Number

0161 770 4902

Signature

A. T. Ryans

Date

23/01/2021

Section 5: Certificate of the auditor

I/We have examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated _____) and the related accounts and records of the authority in accordance with the agreed upon tests in Certification Instruction TP05.

My/our assessment carried out the agreed upon tests in Certification Instruction TP05 and obtained such evidence and explanations as I/we consider necessary. (Except for the matters raised in the attached report dated _____).

Name (in capital letters)

Date

DDMMYYYY

Signature

General Data Protection Regulation (GDPR). The Department for Education (DfE) will use any information you provide in connection with the Teachers' Pension Scheme to administer and operate the scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the scheme. The DfE may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the DfE may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. **If there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this application form, the legislation will apply.** For more information on how we will use your data, go to:

<https://www.teacherspensions.co.uk/public/privacy>

Please return to us at:

Teachers' Pensions, 11b Lingfield Point, Darlington, DL1 1AX
www.teacherspensions.co.uk

KPMG LLP

25 February 2021

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Oldham
Council

Report to Audit Committee

2020/21 Final Accounts - Proposed Accounting Policies and Critical Judgements

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

Officer Contact: Anne Ryans, Director of Finance

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

25 March 2021

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 2020/21 Statement of Accounts. Members are also asked to note the recent change in the preparation and audit timeline for the Statement of Accounts for 2021/22.

Executive Summary

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2020/21 Statement of Accounts. The opportunity is also taken to advise the Audit Committee of the recent change to the timeline for the preparation and audit of the Statement of Accounts for 2020/21 and 2021/22.

Recommendations

It is recommended that the Audit Committee:

- 1) Notes the revised timeline for the preparation and audit of the 2020/21 Statement of Accounts
- 2) approves the Council's proposed accounting policies to be adopted in completing the 2020/21 Statement of Accounts
- 3) notes the critical judgements made by management when producing the Statement of Accounts.

1. Introduction

- 1.1 This report outlines the change in the timeline for the preparation of the 2020/21 accounts and presents the significant accounting policies that will be used in the preparation of the 2020/21 Statement of Accounts. It also summarises the changes from 2019/20 that have been introduced as a result of amendments to the Code of Practice on Local Authority Accounting 2020/21 (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. Change to the Timeline for the Preparation of the 2020/21 Accounts

- 2.1 On 9 March, the Government laid regulations before Parliament that will amend the draft and final accounting deadlines for principal councils, police and fire bodies. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31 March 2021.
- 2.2 The regulations will amend the draft and final audited accounts publication deadlines from 1 June and 31 July, to 1 August and 30 September for the next two financial years (2020/21 and 2021/22). This change is not unexpected given the revision to the timetable for 2019/20 and the continued acknowledged pressure on Finance Teams and External Auditors linked to the pandemic. The regulations also include a new requirement for all Local Government bodies to post a notice on their website if they fail to publish their draft accounts by 1 August 2021.

3. Accounting Policies

- 3.1 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. A copy of the policies can be found at Appendix 1. There have been no changes from the policies used to prepare the 2019/20 Statement of Accounts.
- 3.2 The International Financial Reporting Standards (IFRS) 16 Leasing implementation date has been revised due to the Covid-19 pandemic. The new revised date is 1 April 2022 for preparation of the financial year 2022/23. More detail on this is provided in section 4 of this report.

4. Critical Judgements

- 4.1 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.
- 4.2 Critical Judgements include, which schools property, plant and equipment and PFI information should be included on the Council's balance sheet, which entities fall within the Council's group boundary, how properties should be classified as investment property and the election of the Council's airport investment.
- 4.3 The critical judgement relating to the Council upfront payment of its employer pension contributions has been updated to reflect the upfront contribution for the 2020/21 – 2022/23 triennial period.

5. **International Financial Reporting Standard (IFRS) 16**

5.1 The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change required by a new standard that has been issued but not yet adopted. IFRS 16 was meant to be introduced for Local Authorities from 1 April 2020 which would have required the annual accounts for 2020/21 to be the first set of accounts produced in accordance with this standard. With a 1 April 2020 implementation date, a note advising of this change should have been included in the 2019/20 accounts.

5.2 However, due to Covid-19 and the acknowledged additional pressure on Local Authorities, on the 20 March 2020, the Financial Reporting Advisory Board (FRAB), announced the deferral of International Financial Reporting Standard 16 (IFRS 16) implementation to 2021/22. This date has been further revised and the new implementation date is 1 April 2022 for the financial year 2022/23. The Council's 2021/22 Statement of Accounts will therefore disclose the impact of an accounting change required by a new standard that has been issued but not yet adopted. The Council is continuing work on the impact of this new standard and any budgetary impact will be included in the Budget Cycle for 2022/23.

6. **Options/Alternatives**

6.1 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.

7. **Preferred Option**

7.1 The preferred option is option C, at paragraph 5.1.

8. **Consultation**

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

9. **Financial Implications**

9.1 Dealt with in the body of the report.

10. **Legal Services Comments**

10.1 There are no Legal implications.

11. **Co-operative Agenda**

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

12. **Human Resources Comments**

12.1 There are no Human Resource implications.

13. **Risk Assessments**

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

14. **IT Implications**

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

15. **Property Implications**

15.1 There are no Property implications.

16. **Procurement Implications**

16.1 There are no Procurement implications.

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

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

18. **Equality, community cohesion and crime implications**

18.1 There are no Equality, community cohesion and crime implications.

19. **Equality Impact Assessment Completed?**

19.1 Not Applicable

20. **Key Decision**

20.1 No

21. **Key Decision Reference**

21.1 Not Applicable.

22. **Background Papers**

22.1 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

23. **Appendices**

23.1 Appendix 1 – 2020/21 Proposed Accounting Policies
Appendix 2 – 2020/21 Proposed Critical Judgements

Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 (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).

Depreciation 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 Other Operating 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 Health & 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 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 with 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.

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 2020/21 – 2022/23, 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, in April 2021 the Council paid £46.726m based on an estimated pensionable payroll of £79.874m per annum in order to make a budget saving. In line with the Council's accounting policies, in 2020/21 the amounts relating to 2021/22 and 2022/23 have been offset against the pension liability on the balance sheet. These amounts will be reflected in the pension reserve in the years to which they related.

At the close of the triennial period the pension reserve and the pension liability will be brought into line with each other. For further details see note 29 Defined Benefit Pension Schemes.

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	25	1	1	27
Voluntary Controlled (VC)	5	-	-	5
Voluntary Aided (VA)	28	1	-	29
Foundation/Foundation Trust	4	1	-	5
Maintained Schools	62	3	1	66
Academies	24	10	5	39
Total	86	13	6	105

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 buildings 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 five 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 2020/21 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.

The Council has made an equity investment in Manchester Airport Car Park Limited, (along with the other nine Greater Manchester District Councils). The Council's investment is to provide car parking facilities at Manchester Airport. The Council holds 3 Class C ordinary shares. The shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) will be designated as a strategic investment and not held for trading therefore the Council has opted to designate it as fair value through Other Comprehensive Income. The decision to designate to fair value through other comprehensive income is irrevocable and it is the Council view that this is a reasonable and reliable accounting policy for this investment.



Report to Audit Committee

Audit and Counter Fraud Progress Report

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

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25 March 2021

Reason for Decision

To provide Members with a high-level progress report on the work of the Audit and Counter Fraud team up to 28 February 2021.

Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team to 28 February 2021.

The team have continued to prioritise work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. The second stage FFS audits are well underway, which commenced on 8 February, with all the field work completed around the first stage testing as part of the review of 14 systems with throughput value of over £10m.

Due to the ongoing pandemic, Internal Audit continue to provide non-audit related administration support to Revenues and Benefits services for the Covid related business grants; and continued advice to support the Council around Covid Related processes and issues.

In addition, other Audit and Counter Fraud Team highlights include:

- Contribution to reviewing and controls around processing the Government's Covid Winter Grants initiative, and continued support around Business Grants and discretionary Business Grants.
- Carrying out investigations around potential fraud and error on Business Grants.

- Advisory work has been delivered by the Internal Audit Team to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system.
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLCGF) and Discretionary Grant Fund (DFG) administered by the Council.
- Additional review and certification around European grants.
- The Counter Fraud Team and Direct Payments Audit Teams (Children and Adults) have continued to deliver outcomes which have generated £234,880 and £1,849,740 (respectively) during the first 11 months of the year to 28 February 2021.
- The Team continues to collaborate with colleagues to procure and implement a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money.

Recommendations

Members are requested to note the 2020/21 Audit and Counter Fraud Progress Report up to 28 February 2021.

Audit and Counter Fraud Progress Report**1. Background**

- 1.1 This report summarises the work carried out for the period 1 April 2020 to the 28 February 2021 by the Audit and Counter Fraud Team and the team's key performance against agreed performance indicators.
- 1.2 The main content of the report is structured as follows:
- Section 2: 2020/21 Audit and Counter Fraud Plan: Progress Update.
 - Section 3: Corporate Counter Fraud.
 - Section 4: Audit of Direct Payments.

2 2020/21 Audit and Counter Fraud Plan: Progress Update**Fundamental Financial Systems Review and Support for the 2020/21 Accounts Audit**

- 2.1 A key priority for the 2020/21 Audit and Counter Fraud Plan has been to complete the Fundamental Financial Systems (FFS) work on 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. In this regard:
- The team has completed the testing and field work around stage one FFS and continue to work on the second stage Fundamental Financial Systems (FFS) reviews relating to 2020/21 transactions and work to support the 2020/21 audit of the financial accounts. A different approach has been applied as all audits are being carried out remotely. This in the main continues to work well given the challenges faced around working in a different way. A total of 14 systems with throughput value of over £10m will be reviewed assessing key controls within each system.
 - The FFS audits are being undertaken in two stages to provide earlier assurance:
 - Interim (Stage 1) Audits which commenced in October 2020; and
 - Final (Stage 2) Audits commencing in February 2021 and to be completed by 31 March 2021.
 - As part of supporting the final accounts the team are liaising closely with the organisation's external auditor, Mazars, around reviewing key controls and system reviews.
 - Internal Audit and Counter fraud will continue to work through the plan and carry out unplanned work in order to:
 - Provide assurance that the systems and procedures in place within Oldham Council are financially sound and in line with best practice;
 - Complete audits which are classed as "high" in the Annual Audit Needs Assessment;
 - Undertake a programme of Counter Fraud work to identify fraud risks within the corporate systems;
 - Undertake specific fraud investigations on Council Tax Reduction and Corporate Fraud;
 - Deliver the financial audits of Direct Payments in line with service plans and targets.

Payroll Assurance, iTrent implementation

2.2 Advisory work has been delivered by the Internal Audit Team to colleagues, including those managing the People Programme and the implementation of the ICT solution to reflect the potential issues with the system. This project is near completion with the all payrolls associated with the council processed through iTrent payroll system:

- Schools Payroll was processed in February 2021 through the iTrent System, which was successfully transferred from the previous payroll platform Selima.
- Council officers payroll was transferred from the A1 system to iTrent and payroll was processed through the new system in January 2021. The MioCare payroll as also transferred from the Selima platform in January 2021.

No significant error came to the attention of Internal Audit around both the millstone transfers. Internal Audit will continue to monitor the processes and control due to the inherent risks around it being a new system which the Council has implemented, and regular reports will be provided in order to give assurance on the controls and stability of the system.

European Grants Audits

2.3 The Audit team also carry out work around EU funded grant schemes and this report highlights work carried out on a number of grants. The work carried out is to ensure grants have been spent inline with grant conditions and appropriate supporting documentation is provided to support the scheme. A summary of the schemes which assurance has been provided are noted below.

Innova Foster

The grant is related to local stakeholders' engagement and joint research into improvement of regional and local policies and programmes to support the growth of high-potential SMEs assist them in growth. All partners identify, analyse, exchange knowledge, good practices about regional situation of start-ups. For example, to strengthen the productivity of enterprises, boost research and innovation, enable the shift towards a more low-carbon and environmentally friendly economy.

COALESCCE

The title refers to 'Community Owned and Led Energy for Security Climate Change and Employment'. It attempts to 'increase the capacity for community-based approaches to local renewable energy provision across Europe in order to reduce carbon emissions, increase energy security and tackle fuel poverty whilst driving Green Growth'.

Foundations

This grant relates to building regional resilience to industrial structural change. To summarise – 'Across Europe, public bodies are pressed by an increasing need to provide preparatory support to the economic ecosystem in advance of the closure of anchor firms in their region which act as significant employers. The impacts of a closure of course go beyond direct employees and ripple, wave like throughout the regional services sector and economy. Management of such anticipated structural change requires proactive renewal of business approaches and policy supports. Regions are encouraged to introduce pilot projects based on their own strengths and to provide appropriate business supports for the re-alignment of the regional industrial base. This proactive approach by regional stakeholders is critical to building the resilience of these regions and enabling them to adapt to change'.

RED WoLF (Rethink Electricity Distribution Without Load Following)

Aim of project is to increase renewables' usage and reduce carbon emissions for homes with photovoltaic solar panels that do not have gas. Six pilots in UK, Ireland and France will fit houses with hybrid storage systems merging batteries and storage heaters. The heaters will provide heat on demand and the batteries will store output from the solar panels as well as low-carbon energy (wind/solar) drawn from the national grid at times of low demand using new 'smart' technology.

Audit Management System

- 2.4 A new Audit Management System has been selected accordance with the Council's Contract Procedure Rules. Progress towards implementing the system is progressing well, and training will be carried out once dates are agreed by the supplier.
- 2.5 The software selected is called Pentana Audit System which is, a is a fully configurable Audit Management System that provides comprehensive functionality with a range of components such as Annual Planning including Risk Assessment, Audit Management and working paper platform. Further updates will be reported to the Audit Committee around the progress of implementation. In the meantime, the data to support this report has been prepared using manual spreadsheets, which have been subject to quality assurance and some performance indicators will be measured and fully reported as part of the 2020/21 Year End Report by the Head of Corporate Governance.

Summary of Key Actions

- 2.6 The team has issued several draft reports and briefing papers since 1 April 2020, including those issued to the Council's Group Companies Reports are listed in **Appendix 1** together with the audit "opinion". At the time of drafting the report the Internal Audit Team, the FFS draft report were all at the quality assurance stage, and are included for completeness, with the associated draft opinions subject to review by the Director of Finance and Head of Corporate Governance.

3. Corporate Counter Fraud

- 3.1 The Corporate Counter Fraud Team continues to perform well. In addition to carrying out investigations around potential fraud and error on Business Support Grants, **Appendix 2** sets out the key outcomes from other work conducted. The location by Ward of the results obtained can be made available.
- 3.2 The key highlights are set out in **Appendix 2** and include:
 - 96 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
 - £96k of Council Tax Reduction (CTR) misuse and savings have been uncovered;
 - 93 Warning Letters and 3 Administration Penalty have been issued to Council Tax customers;
 - £76k of Housing Benefit Fraud and Error Overpayments was identified as part of the CTR investigations;
 - 118 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD) and;
 - £61k of non-CTR/misuse and savings uncovered.
- 3.3 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:
 - collaborate with the Internal Audit Team and;
 - ensure the delivery of the Internal Audit and Counter Fraud Plan 2020/21.

4. **Audit of Direct Payments**

4.1 The Direct Payments Audit team verifies that spending of the Direct Payment is in line with the agreed Support Plan and that client contributions to their care have been made. This team has a dual role as a compensating control, tasked with the responsibility to recover overpayments/unrecovered client contributions and to ensure the client is spending the agreed funds in accordance with the agreed Support Plan.

4.2 **Appendix 3** sets the monthly Direct Payments Audit volumes and financial outcomes arising from Adults Services and Children's Services, which are £1,740,303 and £109,437 (respectively). Following the Direct Payment Audit, in approximately 68% of cases, an invoice is raised to recover an under spend, expenditure not in line with the support plan, or misuse of the Direct Payments.

4.3 In summary, by 28 February 2021, the team had carried out 977 Adults and Children's Direct Payment Audits.

4.4 The Direct Payment Audit Team continue to conduct audits of Personal Health Budgets (24) with colleagues from the NHS England (Clinical Commissioning Groups (CCGs) and Oldham Cares.

5 **Options/Alternatives**

5.1 The Audit Committee can either:

- a) chose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach

6 **Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 Risk Assessments

12.1 The 2020/21 Audit and Counter Fraud Plan is prepared, reviewed and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (Mark Stenson)

13 IT Implications

13.1 N/A.

14 Property Implications

14.1 N/A.

15 Procurement Implications

15.1 N/A.

16 Environmental and Health & Safety Implications

16.1 N/A.

17 Equity, Community Cohesion and Crime Implication

17.1 N/A.

18 Equality Impact Assessment Completed

18.1 No.

19 Forward Plan Reference

19.1 N/A.

20 Key Decision

20.1 No.

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 included as Appendices 1 to 3
Officer Name:	Sabed Ali/Andrew Bloor
Contact No:	4891/1205

22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April 2020 to 28 February 2021
- **Appendix 2:** Counter Fraud Results – 1 April 2020 to 28 February 2021
- **Appendix 3:** Direct Payments Results – 1 April 2020 to 28 February 2021

Audit and Counter Fraud 2020/21

Summary of Reports 1 April 2020 to 28 February 2021

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
1	People and Places	Homelessness Review	Report	Q2	Inadequate
2	Commissioning Services	Supplier Review	Briefing Note	Q2	Advisory
3	Commissioning Services	Reconciliation - Cash Grants Duplications	Briefing Note	Q1	Advisory
4	Commissioning Services	Purchase Order Review Analysis	Briefing Note	Q2	Advisory
5	Commissioning Services	Accounts Payable – Covid 19 Assurance	Briefing Note	Q2	Advisory
6	Commissioning Services	Self-isolation payments control review	Briefing Note	Q2	Advisory
7	Commissioning Services	Interim Business Grant Assurance Review	Report	Q2	Adequate
8	Commissioning Services	REDWOLF Grant (1)	Grant Assurance	Q1	Assurance
9	Commissioning Services	Reduces Grant (EU Grant)	Grant Assurance	Q1	Assurance
10	Commissioning Services	Safer Roads Grant	Grant Assurance	Q2	Assurance
11	Commissioning Services	Local Growth Fund Grant	Grant Assurance	Q3	Assurance
12	Commissioning Services	REDWOLF Grant (2)	Report Submission	Q3	Assurance
13	Commissioning Services	Payroll Assurance Highlight Report	Report	Q1-2	Assurance
14	External Client	Follow up AW High Complex Case	Report	Q2	Adequate
15	Commissioning Services	Innova Foster Grant	Grant Assurance	Q3	Assurance
16	Commissioning Services	Payroll Assurance Highlight Report (iTrent Project Implementation)	Report	Q3	Advisory
17	Commissioning Services	Draft Accounts Payable	Report	Q3	Adequate
18	Commissioning Services	Draft Bank Reconciliations	Report	Q3	Good
19	Commissioning Services	Draft Council Tax	Report	Q3	Adequate

20	Commissioning Services	Draft NDR	Report	Q3	Adequate
21	Commissioning Services	Draft Council Tax Reduction	Report	Q3	Adequate
22	Commissioning Services	Draft Fixed Asset	Report	Q3	Adequate
23	Commissioning Services	Draft Treasury Management	Report	Q3	Good
24	Commissioning Services	Draft Business Grant	Report	Q3	Adequate
25	Commissioning Services	Draft Adult Social Care – PB & Homecare	Report	Q3	Inadequate
26	Commissioning Services	Draft Adult Social Care – Residential Homes	Report	Q3	Inadequate
27	Commissioning Services	IT Laptop Windows 10 Inventory	Briefing Note	Q1	Advisory
28	Commissioning Services	COVID-19 Small Business Grants	Briefing Note	Q2	Assurance
29	Commissioning Services	Supplier Payments	Briefing Note	Q2	Advisory
30	Commissioning Services	Free School Meals Vouchers - Advisory Role	Briefing Note	Q4	Advisory
31	Commissioning Services	Primary School – Accounts Payable - overdue invoices controls	Briefing Note	Q4	Advisory
32	Commissioning Services	Local Growth Fund	Grant Assurance	Q3	Assurance
33	Commissioning Services	COALESCCE	Grant Assurance	Q1	Assurance
34	Commissioning Services	Foundations	Grant Assurance	Q2	Assurance
35	Commissioning Services	BEIS - Post Payment Assurance Report	Grant Assurance	Q4	Assurance
36	Commissioning Services	BEIS - Business Grant Assurance Assessment 1	Grant Assurance	Q2	Assurance
37	Commissioning Services	BEIS - Business Grant Assurance Assessment 2	Grant Assurance	Q3	Assurance
38	Commissioning Services	BEIS - Business Grant Assurance Assessment 3	Grant Assurance	Q3	Assurance
39	Commissioning Services	BEIS - Business Grant Assurance Assessment 4	Grant Assurance	Q3	Assurance
40	Commissioning Services	BEIS - Business Grant Assurance Assessment 5	Grant Assurance	Q3	Assurance
41	Commissioning Services	BEIS - Business Grant Assurance Assessment 6	Grant Assurance	Q4	Assurance
42	Commissioning Services	Report on Allegation of Business Rate Fraud - 31617741	Briefing Note	Q2	Advisory
43	Commissioning Services	Report on Allegation of Business Rate Fraud - 31593289	Briefing Note	Q2	Advisory
44	Commissioning Services	Report on Allegation of Business Rate Fraud - 31648453	Briefing Note	Q1	Advisory
45	Commissioning Services	NFI 2020/21- Council Tax Single Person Discount Review Arrangements	Briefing Note	Q3	Advisory

Audit and Counter Fraud 2020/21

Counter Fraud Results 1 April 2020 to 28 February 2021

Counter Fraud Team - Performance Monitoring	Quarter 1	Quarter 2	Quarter 3	Jan - Feb	Total
Corporate Cases - Positive Results	25	53	25	15	118
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£18,705.39	£18,672.15	£15,518.45	£8,459.00	£61,354.99
CTR cases amended as a result of an investigation	26	32	20	18	96
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£8,743.58	£17,495.99	£35,569.89	£14,987.00	£76,796.46
CTR Fraud and Error Overpayments identified (£)	£34,551.00	£31,316.48	£18,072.27	£12,789.00	£96,728.75

Total Value of Fraud Identified £234,880.02

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 28 February 2021

Adults Social Care

Financial Year 2020/21	Number of Audits Reviewed	Amount of Underspend for Recovery (£)	Financial Contribution (FC) for Recovery (£)	Total Direct Payment and FC for Recovery (£)
April	77	£99,275.24	£10,521.53	£109,796.77
May	84	£125,105.89	£6,387.33	£131,493.22
June	44	£89,524.41	£7,628.96	£97,153.37
July	82	£68,008.95	£5,986.14	£73,995.09
August	60	£128,319.95	£4,712.36	£133,032.31
September	70	£155,437.33	£18,768.74	£174,206.07
October	104	£233,745.24	£35,462.65	£269,207.89
November	92	£277,742.37	£4,438.67	£282,181.04
December	48	£80,050.94	£13,305.67	£93,356.61
January	65	£83,313.55	£6,532.68	£89,846.23
February	104	£269,468.28	£16,566.45	£286,034.73
Total	830	£1,609,992.15	£130,311.18	£1,740,303.33

Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 28 February 2021

Children's and Young People

Financial Year 2020/21	Number of Audits Reviewed	Total Direct Payment for Recovery (£)
April	17	£11,528.04
May	14	£6,692.31
June	19	£19,809.68
July	6	£7,659.43
August	7	£6,325.47
September	1	£264.48
October	8	£4,924.46
November	4	£1,232.53
December	6	£4,190.46
January	2	£1,189.32
February	63	£45,620.96
Total	147	£109,437.14

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NB: There are no financial contributions paid by the recipients of Children's Direct Payments.

Children's and Adults Total Payment Recovery £1,849,740.47



Report to Audit Committee

Internal Audit and Counter Fraud Plan 2021/22

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

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

25 March 2021

Reason for Decision

To advise and consult with Members on the proposed revised Internal Audit and Counter Fraud Plan covering the financial year 2021/22, as attached at Appendix 1. The plan is based on the Audit needs Assessment carried out by the Head of Corporate Governance. The proposed plan takes in to account several Covid-19 risk factors which has shaped the plan and known planned developments to ensure adequate controls are in place to support the overall governance arrangements for the Council.

It also to give Members of this Committee the opportunity to highlight any potential risks they feel would benefit from an Internal Audit and Counter Fraud review going forward in 2021/22.

Recommendations

That Members of the Audit Committee comment upon and agree the Internal Audit and Counter Fraud Planning process and the Audit and Counter Fraud Plan for 2021/22 at Appendix 1.

Oldham Council Internal Audit and Counter Fraud Plan 2021-2022

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1 April 2021 to 31 March 2022



2021/22 Audit and Counter Fraud Plan

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Section 1.0: Introduction to Oldham Council Internal Audit

1.1 2013 Public Sector Internal Audit Standards (Revised 2017)

The work of Internal Audit at Oldham Council is governed by the **2013 (Revised 2017) UK Public Sector Internal Audit Standards (PSIAS)**. 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.

1.2 2021/22 Internal Audit Charter

The Internal Audit Charter, presented to the Audit Committee on 4 June 2020, sets out that:

- At least annually, the Head of Internal Audit (which, at Oldham Council, is the Head of Corporate Governance) 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 Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.
- The internal audit plan will be developed based on a prioritization 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.

The Charter sets out that the scope of the Audit and Counter Fraud Team 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 Council'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

Therefore, the 2021/22 Audit and Counter Fraud Plan has been developed, by an assessment of risk, with the following objectives around the management of the Audit service:

- to set out the priorities of the team's activities;
- to facilitate the development of the annual audit opinion;
- to regularly review the plan to ensure the service is flexible to meet the changing risks and priorities of the Council;
- engagement with a third party technical specialist for ICT Audits;
- the consideration of the nature of and the delivery protocols around consulting engagements to clients.

The pages to follow set out the 2021/22 Audit and Counter Fraud Plan for each functional area of the Council and the resources allocated to planning, management and quality assurance activities and to the development and delivery of audit reviews to third parties. The 2021/22 Audit and Counter Fraud Plan is supported by the following Appendices:

- **Appendix A: Oldham Council 2021/22 Fraud and Loss Risk Assessment**

Mark Stenson
Head of Corporate Governance

Section 2: 2021/22 Audit and Counter Fraud Plan by Directorate

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2.1	Corporate Projects: Fundamental Financial Systems	6
2.2	Corporate and Strategic Projects:	18
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Section 2.1: Corporate Projects: Fundamental Financial Systems

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Background to Fundamental Financial Systems (FFS):</p> <p>Strategic reviews of the FFS systems are undertaken on behalf of the Director of Finance who is the designated Section 151 Officer for Oldham Council. It covers those financial systems where the total value of transactions processed exceeds the current Performance Materiality level, which was around £10m per annum for the 2020/21 reviews, but this is subject to review and potential change in 2021/22. It enables the Director of Finance to discharge her statutory duty in relation to financial administration.</p> <p>Following a tender process conducted by Public Sector Audit Appointments (PSAA), Mazars LLP was successful in winning the External Audit contract with all local authorities in Greater Manchester. Therefore from 2018/19, for a 5-year period. the firm has acted/will act as External Auditor for all ten Councils, including Oldham, the Greater Manchester Combined Authority, Transport for Greater Manchester, Greater Manchester Police and the Greater Manchester Pension Fund.</p> <p>The FFS audits are reviewed by External Audit as part of their assurance audit of the year end accounts for 2020/21. The ability of External Audit to place reliance on the work of Internal Audit supports the year end close down timelines. If this work is not undertaken by Internal Audit, then potentially additional external audit work will be undertaken, and an extra External Audit fee charged to the Council.</p> <p>In line with providing continuous audit assurance, using a risk-based approach, the Audit and Counter Fraud team will carry out the majority of these reviews in two stages:</p> <ul style="list-style-type: none"> • Stage 1 Review (“Interim”): These reviews will review the key systems, perform walk-through testing and will review transactions up to 30th September 2021. • Stage 2 Review (“Final”): These reviews will identify and document any changes to systems and develop a risk-based programme of work including the auditing transactions from 1st October 2021. <p>However, this approach may be refined in accordance with the continual review of risks and following audit planning meetings with External Audit.</p>		

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Therefore, the Audit and Counter Fraud Team continuously support systems which are reported in the Annual Governance Statement; Adults Financial Systems and Payroll systems (Schools and Non Schools) and those systems which are subject to change e.g. technical implementations, upgrades, etc.</p> <p>The findings and recommendations made by the Audit and Counter Fraud team will form an element of External Audit planning for the 2021/22 audit. The Audit and Counter Fraud team will jointly consider controls to prevent fraud in accordance with External Audit guidance and standards.</p> <p>The following pages set out the audits and their objectives across the following categories:</p> <ul style="list-style-type: none"> • Corporate and Central Finance systems and processes. • Systems delivered by the Unity Partnership as a Council group company. • Directorate based financial systems. 		
<p>Corporate and Central Finance Systems:</p> <ul style="list-style-type: none"> • Fixed Assets • Treasury Management 		
<p>Fixed Assets</p> <p>The Council utilises a manual spreadsheet to record the Fixed Asset Register (FAR). The use of the spreadsheet carries some inherent risks, as there is limited audit trail in this process. The Council has introduced additional controls in the checking processes to increase the assurance that can be provided.</p> <p>Additional checks have been introduced where the Finance Managers manually verify balances on a monthly basis and the Internal Audit function also verify these balances to ensure that the system is operating effectively, that the Register has been updated to reflect the investment made in the Council's agreed Capital Programme and is accurate to support the value of assets recorded in the register. The planned requirement for authorities to report Transport Infrastructure Assets Council's in the Financial Statements, at the Depreciated Replacement Cost method (DRC), were not implemented. CIPFA issued a notice and it was more formally set out in the 2016/17 LAAP Bulletin 105 (March 2017) and an update to the 2016/17 Code of Practice.</p> <p>The following areas will be considered following a risk assessment of the system:</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • ensure the data held on the Fixed Asset Register spreadsheet is accurate and secure; • confirm that additions and disposals of assets are accurately recorded within the spreadsheet; • confirm that asset revaluations and impairments are accurately recorded within the spreadsheet; • confirm assets are correctly categorised / coded within the spreadsheet; • ensure depreciation is correctly charged in line with the Council's accounting policies; • confirm additions to the register are accurate; • confirm the arrangements for the Capital Programme; • verify that the asset register is accurately updated on a monthly basis; • ensure plans are in place to renew relevant contracts, which were due in 2018/19; and • ensure compliance with the CIPFA Code for assets. <p>Until March 2020 this was a stable system with valuations undertaken by Unity on a five-year cycle.</p> <p>The pandemic is likely to have a long-term impact on the valuation of land and property. This matter has already been highlighted by the External Auditor and the FFS audit will need to consider the impact.</p>		
<p>Treasury Management</p> <p>This is a review of all loans, investments and large transactions processed by the Director of Finance for Treasury Management purposes. The Council has a Treasury Management Strategy which is subject to regular review and this audit will check all transactions are in accordance with this agreed Strategy. This will include how the Strategy is reported and scrutinised by Members.</p> <p>The Treasury Management Strategy for 2021/22 provides details of the Council's financial position and provides a clear framework within which Treasury Management will operate. It covers two main areas:</p> <p><u>Capital Issues</u></p> <ul style="list-style-type: none"> • the Capital plans and the Prudential Indicators; and • the Minimum Revenue Provision Policy (MRP) Statement <p><u>Treasury Management Issues</u></p> <ul style="list-style-type: none"> • the Current Treasury Position; and • Treasury Indicators for 2021/22. 	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>The review will also consider the controls over the investments and loans the Council has, to ensure that they are safeguarded and well controlled.</p> <p>There will be a change in the system operating arrangements from increased home working by the staff and from the issuing of revised guidance by CIPFA restricting future commercial investments.</p> <p>This will require amendments to the Treasury Management Strategy and the audit needs to confirm that this happens.</p>		
<p>Systems Delivered by the Unity Partnership Ltd to the Council:</p> <ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Council Tax including Discounts and Exemptions • Council Tax Reduction • NDR/Business Rates • Housing Benefits • Payroll (Schools and non-Schools Payrolls) 		
<p>Accounts Payable</p> <p>Accounts Payable is one of the constituent financial modules in Agresso, the Council's financial ledger and is used by the Council to pay third party suppliers. This review will:</p> <ul style="list-style-type: none"> • Evaluate internal controls over the accounts payable process. • Verify payments were made correctly, accurately accounted for, and properly supported. • Evaluate internal controls to prevent duplicate payments are in place. • Evaluate compliance with policy, procedures and regulations. • Third parties with access to the systems are not authorising payments to themselves. • Follow up procedures in place within the Procurement Team in relation to supplier due diligence and the risk of changing bank account details of suppliers, when requested by third parties. <p>The requirement to publish data which includes all payments greater than £500 exposes the Council to increased risk of Bank Mandate Fraud. This is supported by alerts from the National Anti-Fraud Network, which will be forwarded to</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>key stakeholders within the Council and the team will provide support to the business to manage/mitigate risks associated with this type of transaction.</p> <p>In addition, the National Fraud Initiative identified data matches around Duplicate Payments, Duplicate Suppliers and Incorrect VAT payments. These matches are reviewed using a risk based approach and any issues arising are discussed with the business.</p> <p>The interim FFS audit will continue to consider the effectiveness of home working. The review will also need to consider the support provided under Cabinet Office Guidance and the information reported to the Financial Assistance Board.</p>		
<p>Accounts Receivable</p> <p>Accounts Receivable is one of the constituent financial modules in Agresso the Council's financial ledger and is used by the Council to issue sundry debtors accounts where the Council is owed income.</p> <p>The review will test the key controls operated by the Council and Unity to ensure that sundry debtor's accounts are raised in a prompt manner and money owed to the Council is collected by Credit Control as efficiently and effectively as possible. It will also review:</p> <ul style="list-style-type: none"> • Progress and compliance in writing off bad debts in 2021-2022. • Third party organisations that are provided cash flow support by the Council. <p>This is the routine audit under FFS. Whilst there were no changes to the systems and processes used to raise accounts and then collect money owed to the Council for services a decision was taken in the first three months of the 2020/21 financial year not to actively pursue collection.</p> <p>The interim review will need to document this and look at the level of arrears and the effectiveness of home working on the process.</p>	High	3 & 4
<p>Council Tax (including Discounts and Exemptions)</p> <p>The objective of the audit is to evaluate the system with a view to delivering reasonable assurance to the Authority over the adequacy of the internal control environment. This is defined as the whole system of controls, established by</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>management, which help to ensure the achievement of objectives, economy and efficiency, compliance with policies and procedures, safeguarding of assets and the integrity and reliability of information.</p> <p>The following areas will be considered following risk assessing the system:</p> <ul style="list-style-type: none"> • Input or amendment of personal data relating to discounts and exemptions are affected only by authorised staff. • Input or amendment of personal data relating to discounts and exemptions are supported by documentary evidence. • Relevant records and accounts are updated to record all council tax amendments giving rise to a change in liability. • Council Tax transactions should be correctly calculated and valued. • Council Tax transaction affecting liability are initiated and recorded promptly • Review of the collection rate to ensure that effective enforcement has been undertaken on outstanding debts throughout the year. • The process to review the service delivery by the valuation office in accordance with the agreed service level agreement with the Council. <p>Counter Fraud colleagues will collaborate with Audit colleagues to review fraud risks and to “fraud-proof” Council Tax documentation issued by the Council.</p> <p>The interim review will need to document this and look at the level of arrears and the effectiveness of home working on the process. It is understood that the staff using the Academy System have experienced performance issues from home working.</p>		
<p>Council Tax Reduction Scheme</p> <p>Council Tax Benefit was a means-tested benefit that supported residents on low incomes to pay their Council Tax. The government stopped Council Tax Benefit through the Welfare Reform Act 2013 and via the Local Government Finance Act 2012 and required Local Authorities to develop a local scheme of Council Tax Reduction.</p> <p>As a result, in April 2013, Council Tax Benefit was replaced by a localised Council Tax Reduction Scheme. In the localised scheme those of pensionable age must receive financial support to pay their Council Tax at the same level as the previous council tax benefit regime.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>For efficiency purposes, this audit will be conducted in collaboration with the audits of the systems for Council Tax and Housing Benefits and any shared actions will be reported to managers.</p> <p>The interim review will need to document the changes and impact of revised policy and look at the level of arrears and the effectiveness of home working on the process. It is understood that the staff using the Academy System have experienced performance issues from home working.</p>		
<p>Housing Benefit Payments</p> <p>Housing Benefit is processed on the Academy System which is administered by the Unity Partnership. The review looks at the process of making payments for Housing and Council Tax Benefits to ensure that they are made correctly. The review will examine the quality, frequency, review and management action taken to reconcile Housing Benefit balances and will include over overpayments and recovery within its scope.</p> <p>The overall objective in undertaking this audit is to ensure, through a process of systems evaluation and compliance testing, that there is an appropriate control framework in place to achieve the following key control objectives for the system:</p> <ul style="list-style-type: none"> • Adherence to external audit key controls. • Benefits payments are made in accordance with statutory regulations, corporate policies and financial regulations. • All relevant records and accounts are accurately updated in a timely manner to record all benefits transactions. • Housing Benefit payments are legitimate and appropriate. • Payments and associated output should be timely, stored securely and protected against unauthorised access. • Overpayments of benefit are identified and dealt with in accordance with legislation / regulations, council policy, Standing Orders and Financial Regulations and are adequately recorded and recovery (and write off) arrangements are efficient and effective. • Review of the Performance Indicators for Housing Benefit. <p>Counter Fraud colleagues will collaborate with Audit colleagues to review fraud risks and to “fraud-proof” Housing Benefit documentation issued by the Council.</p> <p>.</p> <p>The audit will continue to document how these applications have been administered via remote working.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Business Rates (Non-Domestic Rates - NDR)</p> <p>The Government has made a number of changes since 1 April 2012 to the business rates arrangements, the impact of these changes will be continued to be considered as part of the review including year to date cash collection rates and the Council's cash flow, specifically around:</p> <ul style="list-style-type: none"> • Introduction of business rates retention arrangements, where the Council keep a proportion of the business rates paid. • A number of business relief schemes, which are funded by grant from the Government. • Allowing businesses to pay their business rates by 12 instalments instead of 10. <p>On 1 April 2013, a revised system of business rates retention began in England. Before this date, all business rate income collected by Councils formed a single, national pot, which was then distributed by government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep up to half of business rate income and transfer half of it centrally, to central government.</p> <p>The Chancellor also announced (5 October 2015) further reforms to business rates and that, by the end of the current Parliament, local government would be able to retain 100 per cent of local taxes and that the government would abolish the Uniform Business Rate and give local authorities the power to cut business rates to boost economic activity in their areas. The Council has piloted 100% Business Rate Retention from 2017/18 and this continues in 2021/22.</p> <p>In addition, the following areas will be considered following a risk assessment of the system:</p> <ul style="list-style-type: none"> • Policy, Procedures and Legislation. • NDR Transactions and Records. • Reconciliation between debit and the Valuation Lists. • Discount and reduction applications. • Billing. • Receipts from the rate payers. • Clearing of suspense accounts. • Recovery action. • Writing off irrecoverable debt. 	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • Monitoring of collection rates. • Reconciliation with the general ledger. • Refunds. • Amendments to standing data. • Monitoring premises registered as Charities. <p>The reviews will also consider the controls in place to mitigate the potential fraud risk associated with properties being recorded on the NDR register due to third party information not being accurate.</p> <p>The interim review will continue to look at the level of arrears and the effectiveness of home working on the process. It is understood that the staff using the Academy System have experienced performance issues from home working.</p>		
<p>Payroll and Pensions</p> <p>As part of the Payroll and Pensions Improvements Programme, the Council's Cabinet approved the migration of Directorates, MioCare and Schools' payroll from Agresso and Selima respectively to Midland iTrent on 25 March 2019.</p> <p>All officers as MioCare and Schools have transferred to the iTrent payroll system. This will alleviate the challenges arising from having two payroll systems across the group of companies, and within group companies.</p> <p>The Audit and Counter Fraud Team supported the system development and its transition into business as usual at key stages during its lifecycle. This includes participating in the Programme Assurance Group, reviewing the system functional requirements and assessing the shortlisted suppliers from an Audit perspective.</p> <p>The routine annual reviews will follow up any matters arising from the post implementation review and will also review the arrangements in place within the Council and Unity for payments made to staff to ensure that controls within the system are appropriate.</p> <p>The payroll system has been reported in the Council's Annual Governance Statement for the last few years, a full assessment will be made around the new system and assess the impact and potential improvements experienced.</p> <p>The audits will include the following key areas:</p> <ul style="list-style-type: none"> • Starters and leavers are processed correctly and that payments to officers and staff are appropriate and made in a timely manner. 	High	1 - 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> Compliance with agreed internal checks and approvals to ensure that there is sufficient segregation of duties in the system, including segregation between Transactional HR and Payroll, which has been identified as being less than adequate in prior years. The Tameside Internal Audit function carry out the review of the contributions paid over by Oldham to the Greater Manchester Pension Fund. Therefore, this audit will follow-up the recommendations arising from recent audits and identify actions to improve procedures to ensure the correct contributions are paid to the Fund. The audit conducted in 2019 identified some actions for managers. <p>In addition to systems implementation support, the Audit and Counter Fraud Team will continue to support the Council and the Unity Partnership to drive through change in order to improve controls and payroll resource resilience. The Payroll Improvement Plans for Schools and for Non Schools have formed the basis for action and they continue to be monitored.</p> <p>The 2021/21 IT Audit Plan will include provision to consider any technical matters relating to the payroll system migration.</p>		
<p>Directorate Based Financial Systems:</p>		
<p>Cash Income</p> <p>The Council receives cash from a number of sources and the aim of this audit is to review a sample of services receiving income from the public plus the transactions on the bank accounts held with the Santander Group. The review seeks to ensure that cash received by services is efficiently collected and recorded in the Council's financial systems and bank accounts. The service areas selected are in accordance with a rolling programme of reviews, based on the date of the last review and potential risks. The audit will also review implementation of recommendations made as part of the prior year audits.</p> <p>A system of e-returns was introduced during 2012/13 and expanded in 2013/14. E-returns allow services to input their income collection details directly into Agresso.</p> <p>There are a number of benefits from E-returns including:</p> <ul style="list-style-type: none"> no requirement for Finance to undertake journal transfers; removes the need for holding accounts; services take responsibility for their own finances; 	<p>High</p>	<p>3 & 4</p>

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • automatic matching between the e-return (the cash book) and the bank statement; and • income automatically appears on the service Cost Centre as soon as the e-return is completed, so there are no delays in recording income on Agresso, and the account keeps up-to-date information. <p>In advance of the audit the team, to support Audit planning, will capture information around the systems across the organisation for cash income by the use of a “Control and Risk Self-Assessment”.</p>		
<p>Residential Care Payments (Adults Social Care)</p> <p>The key elements to the work in this area covers:</p> <ul style="list-style-type: none"> • Review of controls over the system to administer clients’ contributions to home fees and payments made to external providers for clients in Residential and Nursing Home care provision. The review includes assessments of the processes in place to determine residents’ assets which influence their ability contributions. Service managers have agreed to implement a series of high priority recommendations to specifically improve the process for reconciliation of client balances and the control of total balances reported in the general ledger. This review will follow up and evidence progress made against each detailed recommendation. • The changes resulting from the implementation of the Care Act 2014 around the total amount over a lifetime that a client can be asked to contribute to their care (homecare and residential) came into effect on 1st April 2015 and this review will identify the procedures and controls in operation to comply with this legislation. <p>The controls in this area have developed over recent years, and previously agreed actions will be followed up to determine whether progress continues. This audit will consider any developments around the Mosaic system and supporting business processes.</p> <p>Post COVID-19 pandemic impact will be continued to be assessed, and how emergency decisions taken in 2020/21 has had an impact on 2021/22.</p>	High	3 & 4
<p>Direct Payments (Oldham Cares / Adults Social Care):</p> <p>This review looks at the controls over the system to administer the Council’s payments for clients who are in receipt of a Direct Payments (DP) and either manage this budget themselves or use a broker to assist them to administer the budget. The review looks at the assessment of the DP, including contributions by the client and payment to the client or broker. Some clients with a personal budget use it to purchase services directly by the Council, and this type of Individual Budget (IB) is included in the audit.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>There are a range of potential audit and fraud risks arising from the arrangements for DPs including the potential for a person(s) to falsely claim that they need care, and the access to funds via direct payments poses greater risks than traditional care packages. Particular attention will be paid to ensuring that evidence is received by the client that costs are in line with the care plan and that cash has not built up inappropriately. The team will collaborate with colleagues carrying out DP audits to ensure sound financial and operational controls.</p> <p>This area showed no improvement in the financial year 2020/21 and the revised working arrangements including home working/ response to the pandemic will have made certain business as usual tasks such as undertaking assessments more challenging.</p> <p>This audit will consider any developments around the Mosaic system and supporting business processes.</p>		

Section 2.2: Corporate Strategic Projects

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Strategic Projects - These audits are corporate in nature and/or cut across two or more Directorates.</p>		
<p>IT Audits and Security</p>		
<p>PSN Issues</p> <p>This is linked into decommissioning of old systems and will assess the progress made.</p>	<p>High</p>	<p>2 & 3</p>
<p>Business Continuity Planning</p> <p>This will review the plans for a response to a future unforeseen emergency.</p>	<p>High</p>	<p>2 & 3</p>
<p>Digital Policies to Support Home Working</p> <p>This will review the plans to support home working with a review of the present policies to ensure they are flexible for both the organisation and staff.</p>	<p>High</p>	<p>2 & 3</p>
<p>Oldham Council – Group Companies:</p> <p>These audits relate to systems and transactions relating to companies which are fully owned by the Council. Internal Audit Plans are agreed with Managers in accordance with the agreed governance arrangements.</p>		
<p>MioCare Group Community Interest Company</p> <p>A revised Audit Plan has been agreed at the MioCare Audit Committee, which will focus on operational and business risk.</p> <p>This is derived from their corporate risk assessment drafted by the Managing Director. Annual Plan 30 days Commitment.</p>	<p>High</p>	<p>1 - 4</p>

Section 2.3: COVID-19 Issues

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>COVID-19 Issues</p> <p>These audits are as a result of systems put into place or changes to services arising from the COVID-19 pandemic.</p>		
<p>Government Grant Support to Businesses</p> <p>In response to the pandemic the Council is receiving significant funding from the Department of Business, Energy and Industrial Strategy to act as an agent in administering a grant scheme to support the registered Business Rate payers operating businesses and other businesses that are eligible for discretionary support.</p> <p>This Grant will be subject to review as part of a separate Fundamental Financial Systems review as it is above the external audit materiality level.</p>	High	1 & 2
<p>COVID-19 related revenue Grants</p> <p>Review any COVID-19 related Grants which require an independent assurance review and perform any additional request by service around additional assurance on expenditure.</p>	HIGH	1 & 2
<p>Dedicated Schools Grant</p> <p>The Dedicated Schools Grant (DSG) operates via a ringfenced account to administer financial support for all schools in Oldham. The Oldham DSG is one of a small number which had a deficit requiring a Recovery Plan to be submitted to the Department of Education. The DfE recently revised its guidance on DSG deficit positions removing the requirement for a specific Recovery Plan but expects continued action to reduce the deficit. The Council and Schools Forum have agreed to continue to present information in a Recovery Plan format.</p> <p>This Recovery Plan has been agreed pre COVID-19 and included several recommendations made by Social Finance (an external advisory organisation) as to how to reduce the deficit. The implementation of these recommendations has been delayed and this audit will assess the progress made in implementing these recommendations and any subsequent revisions to the plan.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Grant - Growth Deal (Hollinwood Junction)</p> <p>Oldham Council has entered into a Partnering Agreement with Langtree to bring forward the development of council owned land at Hollinwood Junction. The Hollinwood Junction project is set to deliver a new spine road, and up to 150,000 square feet of high-quality employment/commercial space.</p> <p>The audit will monitor the grant claims and report on the progress in delivery. The audit will ensure that the funding is used in line with the terms and conditions, including time scales, of the grant funding.</p>	High	2 & 3
<p>Contracts Control Assurance - major capital schemes</p> <p>To ensure that work on key capital projects does not progress without appropriate contractual protection in place, the Procurement have indicated that a process is in place supported by extra capacity in the Legal Team.</p> <p>Within 2021/22 as a minimum, reviews will look at key projects under the Creating a Better Place programme.</p>	High	2 & 3
<p>Care Home Contracting</p> <p>The work of the Contracted Suppliers Group has identified that the Council needs to improve its documentation to support the provision of services by Care Homes.</p> <p>This audit will review the progress made in putting this documentation in place.</p>	High	2 & 3
<p>Commissioning Contract Extensions</p> <p>The work of the Contracted Suppliers Group has identified that several services, across a number of Directorates where the Service has planned to undertake a commissioning review, have been extended year on year.</p> <p>Whist since March 2020 the pandemic has made it much more challenging to undertake redesign activity., A number of these services have been subjected to a planned redesign which has not progressed.</p> <p>The audit will review the activities being undertaken to get this work back on track.</p>	High	2 & 3
<p>Budget Overspend – Community Health and Adult Social Care</p> <p>The final out-turn for 2019/20 showed an overspend for the Community Health Adult Social Care service and in 2020/21 projections at month 9 budget monitoring indicates an underlying expenditure challenge.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Whilst the pandemic has impacted on the service there has been additional resource made available to the service to minimise the impact and in certain areas the demand will have been impacted by COVID-19.</p> <p>The audit will review underlying trends and activities taken to mitigate the impact on expenditure. This will complement other activity being undertaken in relation to budgetary control.</p>		
<p>Personal Protective Equipment (PPE)</p> <p>As part of the response to the pandemic the Council and the Greater Manchester Combined Authority arranged PPE for the Health, Adult and Social Care Sector. The Council, at the same time, itself commissioned PPE to ensure there were sufficient supplies.</p> <p>Initially the procurement was done under delegated authority but as the Council returns to business as usual it is considered sensible to review the processes in place for this new system.</p>	High	2 & 3

Section 2.4: Commissioning Directorate

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
Finance:		
<p>Fundamental Financial Systems</p> <p><i>The Directorate is responsible for 13 of the Council's 15 financial systems, which are reported on Pages 11-25 of this Audit and Counter Fraud Plan.</i></p>	High	3 & 4
<p>Discretionary Funding to Council Taxpayers</p> <p>This will review the allocation of any extra funding provided to assist those experiencing hardship to pay Council Tax as well as any discretionary payments.</p>	High	2 & 3
<p>Apprenticeship Levy</p> <p>As of April 2017, all employers in the UK with a wage bill of more than £3 million per year pay an Apprenticeship levy. This is calculated as 0.5% of the payroll and is paid each month to HMRC. This levy can then utilise to provide qualifying training.</p> <p>This levy has been in place for several years and this review will look at the arrangements within the Council (via the Unity Partnership) to administer the scheme ensuring those separate legal entities for whom the Council administers the levy via the provision of payroll services are also dealt with correctly from a Council perspective.</p>	High	2 & 3
<p>Significant Financial Support to Third Parties</p> <p>As part of its response to the pandemic the Council will provide significant support to service providers. This review will examine the decision-making process adopted.</p>	High	3 & 4
<p>Financial Payments to the Greater Manchester Combined Authority</p> <p>The Council makes significant payments to the Combined Authority. This is in respect of these bodies delivering several initiatives pre COVID-19 and it will review the actions taken to mitigate future cost associated with these initiatives.</p>	High	2 & 3

Section 2.5: People and Place Directorate

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • Economy and Skills Delivery Team • Regeneration Projects • Highways and Transportation 		
<p>Administration of Discretionary Grants</p> <p>Funding allocation has been identified to provide support to businesses not covered by the government's Small Business and Retail, Leisure and Hospitality grant funding scheme. This audit will examine the administration of the Additional Restrictions Grant.</p>	High	3 & 4
<p>Economy Division Team:</p>		
<p>Implementation of the Housing Strategy</p> <p>This was agreed at Council during the Calendar Year 2019 with several tasks planned in the years 1-2, the medium and long term. This review will look at the progress made in implementing the agreed actions and the impact of the pandemic.</p>	High	2 & 3
<p>Exit Arrangements on housing the homeless during the COVID-19 Pandemic</p>	High	3 & 4
<p>Regeneration Projects:</p> <p>The potential risks associated with the Council's significant capital programme have been highlighted in the Council's Annual Governance Statement since 2012/13. Therefore, the Audit and Counter Fraud team will support managers to review a range of financial and operational controls across schemes at various stages of design, development and completion. In 2020/2021 schemes to be reviewed include the following current projects:</p>		
<p>Current Construction Contracts</p> <p>The Council was overseeing contractors undertaking potential construction which have been affected by the COVID-19 pandemic. This review will assess the processes in place.</p>	High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Corporate Landlord</p> <p>This will review the role of the Corporate Landlord in accepting risk on new buildings which are taken on by the Council as it rationalises its assets.</p>	High	3 & 4
<p>Key Capital Projects</p> <p>Review major projects around creating a better place</p>	High	1 & 4
<p>Completed Construction Contracts</p> <p>Audit of schemes around completed construction contracts</p>	High	3 & 4
<p>Capital Receipts including Land Sales</p> <p>Recent internal audit work has identified the need to review the processes adopted to sell land.</p>	High	3 & 4
<p>Highways and Transportation:</p>		
<p>Management of the Fleet</p> <p>A sweeper caught fire whilst in use which has the potential to cause an increase in insurance premiums. This review will look at how the operational use of vehicles is managed.</p>	High	3 & 4
<p>Broadband</p> <p>The implementation of the local full fibre network is part of a Combined Authority initiative. This audit will review the Council's management of its element of the contract.</p>	High	3 & 4

Section 2.6: Children's Services

2021/22 Audit and Counter Fraud Review and Key Objectives		Risk Assessment	Quarter
Children's Services			
Suspension of Care Act			
<p>Emergency legislation gave the Statutory Officer the power to suspend certain duties under the Care Act. In Oldham the process was to initially report to the Council's emergency tactical management group if there was a formal suspension of duties. Whist in Oldham there was no formal suspension there was a relaxation of one power.</p> <p>This audit will review the reinstatement of the power and how the backlog caused by the suspension is being dealt with.</p>		High	1 & 3
Administration of Registered Children's Homes administered by the Council			
An audit of the Council's Children's Homes		High	1 & 3
Administration of Semi-Independence Units			
The Council operate 2 of these homes which are not Registered. These homes have been subject to audits pre COVID-19 and there is a need to follow up.		High	1 & 3
Home to School Transport for Children with Special Needs			
During lockdown a temporary variation to the contract was agreed for those providers of transport to children of special needs to protect the local supply chain.		High	1 & 3
Petty Cash Imprest Accounts			
<p>Work by the Finance Team has identified that Children's Services has made extensive use of petty cash imprest accounts and the audit will review both the appropriateness of this and whether a different approach can be taken using the Council Corporate Systems.</p> <p>A detailed review has already been undertaken and therefore, a comprehensive follow up will be carried out.</p>		High	3 & 4

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Commissioning</p> <p>The work during the pandemic has identified that several contracts across a number of Directorates undergoing a commissioning review have been extended pending the completion of the review.</p> <p>The most recent reason for the contract extension has been the disruption caused by the pandemic and the need to have service continuity, but these contracts have been extended for several years. This review will look at the plans to commission these services going forward.</p>	High	1 & 3
<p>Budgetary Control</p> <p>Childrens Services has been impacted by the pandemic which has increased its financial pressures. In addition, planned efficiencies which were to be achieved from service design may not be practical.</p> <p>This review will examine the process in place to control the budget. This will complement other activity being undertaken in relation to budgetary control.</p>	High	2 & 3

Section 2.7: Community Health and Adult Social Care

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
Adult Social Care:		
<p>Learning Disability Work for Greater Manchester</p> <p>The Statutory Officer for Adults leads for the Region in this work area. This audit will examine the administrative process in place to support this.</p>	High	3 & 4

Section 2.8: Communities and Reform

2021/22 Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> Northern Roots Workforce Strategy Public Health 		
<p>Northern Roots</p> <p>The review will examine the Council oversight of the newly formed charitable trust which has a number of Council representatives.</p>	High	3 & 4
<p>Workforce Strategy</p> <p>Cabinet at its meeting during June 2020 agreed a workforce strategy which envisaged closer integration between the Council and the NHS. This review will follow the progress made and how risks are managed.</p>	High	3 & 4
Public Health:		
<p>Public Health Contracts</p> <p>The work during the pandemic has identified several contracts across a number of Directorates undergoing a commissioning review which have been extended.</p> <p>The latest reason has been the pandemic, but these contracts have been extended for several years. This review will look at the plans to commission these services going forward.</p>	High	3 & 4

Section 2.9: Responsive, Investigations and External Clients

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • Corporate Counter Fraud • Counter Fraud Projects • Direct Payment Audit Service • Management, Planning and Quality Assurance Improvement Programme (QAIP) • Training, support and contingency 		
Corporate Counter Fraud:		
<p>Corporate Counter Fraud Investigations</p> <p>The Audit and Counter Fraud team is committed to the efficient investigation of cases referred to the team and identified by reviews in accordance with a best practice risk assessment process and agreed performance targets.</p> <p>The team will continue to deliver a reactive and proactive approach to reducing Council Tax Support Fraud and will continue to work with key partners including Unity, DWP and Greater Manchester Police on range of activities including joint investigations and internal data matching. The Team will collaborate with the Fraud and Error Service of the Department for Work and Pensions to assist in the investigation of Housing Benefit fraud</p> <p>The remaining days are likely to dedicated to the investigation of the following types of potential fraud:</p> <ul style="list-style-type: none"> • Procurement • Potential abuse of Direct Payments and Blue Badges. • Council Tax Reduction, Exemptions and Discounts • Insurance Fraud and Misuse. • Grant Fraud • Educational Fraud 	High	1 - 4

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> National Fraud Initiative. Referrals relating to Council employees. 		
<p>North West Chief Audit Executives Liaison and Counter Fraud Sub Group</p> <p>The regional Heads of Audit meet three times each year and share best practice. Part of the NWCAE is the Counter Fraud Sub Group which allows for the sharing of best practice, the preparation of plans, the facilitation of activities, the production of the agreed deliverables for the region, and the resource required to prepare for and deliver presentations/ workshops.</p>	High	1 - 4
<p>National Fraud Initiative and Other Data Matching</p> <p>NFI data matches are investigated using a risk-based approach, High risk data sets are updated on regular basis allowing further ad hoc data matching from the Cabinet Office.</p> <p>This activity will review the feasibility of data matching against a host of data sets throughout the AGMA region (Audit Fraud Sub Group) to reduce the risk of fraud and loss entering the system.</p>	High	1 - 4
<p>Annual Review of Counter Fraud Policies</p> <p>Annual review of the policies and procedures in order to keep up to date with emerging Audit and Fraud risks, regulation and case law; e.g. Money Laundering.</p>	High	1 - 4
<p>Counter Fraud Projects</p>		
<ul style="list-style-type: none"> Council Tax Reduction Scheme; Online Referrals and Data Matching. Business Grants – COVID-19 Related Restriction and Restart Grants Single Person Discount; Continuation of the annual NFI Data Match. National Fraud Initiative; 2021/22 Bi-Annual Match Multi-Agency Investigations; Joint approach to investigation including Housing Benefits (DWP) and Personal Health Budgets NHS Counter Fraud Authority (NHSCFA) 		

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Small Business and Retail and Hospitality and Leisure Grants</p> <p>This will be a targeted review.</p>		
<p>Council Group Companies Audits:</p> <ul style="list-style-type: none"> • Unity Partnership Ltd • MioCare Community Interest Group (CIC) 		
<p>The Audit Plans for the Unity Partnership Ltd and MioCare Community Interest Group (CIC) were incorporated into the Section covering “Strategic Projects” presented earlier in this Plan.</p>		
<p>Management, Planning and Quality Assurance Improvement Programme (QAIP)</p>		
<p>2020/21 Annual Audit Opinion</p> <p>This time is allocated to the review by the Head of Corporate Governance of all audit and counter fraud findings, conclusion and audit actions in order to develop the 2020/21 annual audit opinion, the Annual Governance Statement and regular in-year updates of potential significant risks to senior managers, the Director of Finance and Audit Committee. To this end, the Head of Corporate Governance will consider the Council’s assurance framework, corporate plan, risk registers and business plans.</p>	High	1 - 4
<p>Committee Reporting</p> <p>The allocation is used for preparing reports to the Council’s Audit and other committees.</p>	High	1 - 4
<p>Preparation of the 2021/22 Audit and Counter Fraud Plan, Management Planning and Assurance</p> <p>The allocation is used for the preparation of the 2021/22 Audit and Counter Fraud Plan including:</p>	High	1 - 4

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> Updating the Audit Needs Assessment and Strategic Plan. Developing the Fraud and Loss Risk Assessment. Reviewing the Counter Fraud Policies and Strategies. Developing data sharing protocols as required. <p>This activity also includes time for management planning and assurance for the wider team.</p>		
<p>Contingency for Unplanned Work</p> <p>The contingency allocation is for unplanned work and for audits brought forward from the prior year. Each project to be charged against this Corporate Contingency and the detailed allocation of time to follow-up individual audits is to be agreed in advance with the Head of Corporate Governance. The time will be allocated to follow up reports high risk recommendations agreed to ensure that agreed actions have been implemented</p>	High	1 – 4
<p>Follow Up Reviews</p> <p>This time is allocated to the assessment and reporting of progress made by managers against previously agreed audit recommendations.</p>	High	1 - 4
<p>Direct Payment (DP) Audit Team:</p>		
<p>DP Audits</p> <p>From 1st June 2012, the Counter Fraud Team took over responsibility for supporting the Health and Wellbeing Directorate to implement the DP Financial Governance Policy as part of the personalisation agenda. Under the direction of the Assistant Manager – Counter Fraud, the team ensures the delivery of a full audit service in accordance with the approved Governance Policy and agreed procedures. In 2015/16, this service was extended to Children's Direct Payment Audit and team's remit was extended to conduct audits of Children's DPs from 1st April 2016. There are four key elements to this service:</p> <ul style="list-style-type: none"> Advising new clients about the role of audit and re-visit them in accordance with an agreed timetable. 	High	1 - 4

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<ul style="list-style-type: none"> • Follow-up recommendations made by the Adult Services Panel. • In accordance with an agreed risk-based protocol, carry out a full audit service, inspect financial records and arrange for funds to be recovered where appropriate, working with care Management Team to ensure that appropriate actions is taken when inconsistencies are identified. • Reporting Audit findings to the Adult Services Panel and the Adults Management Team. <p>As set out in the 2020/21 Fraud and Loss Risk Assessment there is a risk of potential misuse by social care clients or those responsible for their finances. The DP Audit Team review Adult and Children’s Direct Payments using a risk-based approach. The responsibility for DP audits in the team allows the following joined-up approach and risk mitigation:</p> <ul style="list-style-type: none"> • liaison with Counter Fraud colleagues as required to undertake investigations where potential fraud or error is identified; • the ability to collaborate to fraud proofing of Social Care documentation issued by the Council; and • information sharing with the Internal Audit Team around a key Council financial system which requires improvement. 		
<p>Direct Payment Audits</p> <ul style="list-style-type: none"> • Adults Direct Payments; Review Direct Payments against individual support plan. • Children’s Direct Payments; Review Direct Payments against individual support plan. • Personal Health Budgets; Review Personal Health Budgets with colleagues at the CCG against individual care plans. 		

Audit and Counter Fraud Review and Key Objectives	Risk Assessment	Quarter
<p>Team Training and Development</p> <p>This includes some professional accounting, finance and audit training, technical training, in-house mandatory management training and personal development.</p>	High	1 - 4
<p>Implementation - Audit Management System (AMS)</p> <p>This allocation is designed to support the agreed AMS implementation and that the new system reflects best practice, professional standards, including the Public Sector Audit Standards and the approved Audit and Counter Fraud business requirements, plans and:</p> <ul style="list-style-type: none"> • produces the agreed reports for managers and the Audit Committee; • is up-to-date for updates and upgrades are applied following a robust testing process; • is configured to meets the roles, responsibilities and priorities of the team; and • reflects any changes to professional best practice. 	High	1 - 4

Oldham Council Fraud and Loss Risk Assessment
1 April 2021 – 31 March 2022

Area of Risk	Analysis of Risk	Proposed/Established Action
Page 118	<p>Grant Fraud/Misuse</p> <p>False information to secure grant funding – External parties provide false or inaccurate information in order to qualify for grants/loans for which they are not entitled to or will use for other purposes.</p> <p>Grant Collusion – An applicant colludes with a member of staff in order to obtain a grant to which they are not entitled to for personal use.</p> <p>Failure to use Grant for intended purpose – Applicant deliberately use the grant provided for purposes other than that for which it was intended.</p> <p>Council misuse of ring-fenced grants – Ring-fenced grants not used for the purpose they were intended.</p>	<p>Internal Audit to undertake a full review of the Grant Audit programme to update potential risks and give assurance on individual grant applications.</p> <p>Undertake investigations/reviews into referrals received from Whistle-blowers/ the Council's Senior Management Team</p>
	<p>Bribery</p> <p>Corporate Bribery – The Council fails to take appropriate steps to prevent bribery and is held accountable by law which can be punishable by prison sentence.</p> <p>Bribery – Officers/Members accepting bribes to act improperly in order to influence council policy, procurements, processes or procedures for the benefit of themselves or another.</p>	<p>Undertake investigations/reviews into referrals received from Whistle-blowers/ the Council's Senior Management Team</p>

Oldham Council Fraud and Loss Risk Assessment
1 April 2021 – 31 March 2022

Area of Risk	Analysis of Risk	Proposed/Established Action
Blue Badge Fraud	<p>Application – False or exaggerated information submitted in order to secure a blue badge parking permit.</p> <p>Inappropriate Usage – The use of a blue badge by those not entitled to use them and without the company of the badge holder.</p> <p>Deceased Usage – Blue badges are used or sold on after the badge holder has deceased.</p> <p>Fake or Amended – Blue badges in use are fake or have been amended (i.e. dates) in order to abuse the system.</p>	<p>Biannual Cabinet Office (National Fraud Initiative) data match against the DWP Mortality Register. The next exercise will commence in February 2021</p> <p>Reacting to referrals from Whistle-blowers, Council Officials and NSL Parking Services.</p> <p>Undertake a series of proactive drives with key stakeholders.</p>
Money Laundering	<p>Money Laundering – The Council and its cash handling arrangements are abused by a third party wishing to launder money. This can include the payment of accounts in cash and then requesting a repayment because accounts have been overpaid.</p>	<p>Annual review of the Money Laundering Policy.</p> <p>Undertake investigation as directed by the Money Laundering Officer</p>

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Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Council Tax Reduction/Council Tax/Discounts Fraud/Misuse</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Fail to register for Council Tax – Failure to register a property that should be subject to Council Tax.</p> <p>Exemptions/Discounts – Fraudulently providing incorrect information in order to gain a reduction in Council Tax (e.g. Single Person Discount).</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Information and Housing Benefit Matching Service – Series of data matching against numerous data sets.</p> <p>Fundamental Financial Systems Audit by Internal Audit</p> <p>Counter Fraud Team to undertake Investigations on a risk-based approach.</p> <p>Assist colleagues in the fraud proofing of Council Tax documentation issued by the Council.</p> <p>Undertake a series of proactive drives with key stakeholders and work on operations with Multi Agencies.</p>
<p>Housing Benefit Fraud</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>False Representation – Providing incorrect information in order to claim benefits.</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Indicators and Housing Benefit Matching Service – Series of data matching against numerous data sets.</p> <p>Fundamental Financial Systems Audit by Internal Audit</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach</p> <p>Assist colleagues in the fraud proofing of Housing Benefit documentation issued by the Council</p> <p>Draft a Memo of Understanding with the Department for Work and Pensions to assist in the investigation of Housing Benefit fraud</p> <p>Undertake a series of proactive drives with key stakeholders and work on operations with Multi Agencies.</p>

Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 121</p> <p>NDR Fraud</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Failure to Register for Business Rates – Failing to register a property for business rates payments.</p> <p>False or inaccurate claims for discounts or exemption – providing false or inaccurate information to qualify for reductions for which they are not entitled to.</p> <p>Insolvency – Businesses going to into liquidation only to set up again under a different name in order to avoid NDR liability.</p> <p>Avoidance – Avoidance of empty NDR through periods of artificial/contrived occupation (Inc. Charities).</p> <p>COVID-19 – Pre and Post investigations in relation to Business Rates Restriction and Restart Grants</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Review the feasibility of working with colleagues in the Greater Manchester region via the Audit Fraud Sub Group.</p> <p>Counter Fraud Team to undertake investigation on a risk-based approach</p> <p>Risk Assessment completed and monthly reports provided to the Department for Business, Energy & Industrial Strategy and Financial Assistance Board</p>
<p>Bank Mandate</p>	<p>Mandate Fraud – External parties target the Council by pretending to be from a legitimate supplier and attempt to change bank account details in order to remove funds to their own bank account.</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Bank Mandate Fraud alerts received from the National Anti-Fraud Network and Barclays Bank Security will be forwarded to key stakeholder within the Council</p>

Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Page 122</p> <p>Procurement Fraud</p>	<p>Inflated Invoices – External parties inflate invoices in order to receive additional funds or charge VAT for services when they are not VAT registered.</p> <p>Duplicate Invoices – External parties submit multiple invoices for payment.</p> <p>Payment to fictitious suppliers – Staff request set up of a fictitious supplier in order to obtain funds.</p> <p>Conflict of interest – Employees fail to declare conflict of interest or gifts to award contracts to related companies for their own benefit.</p> <p>Contract splitting to avoid tender threshold – Split of contracts into smaller amounts to avoid thresholds.</p>	<p>Contract Procedure Rules.</p> <p>Channel as much procurement activity as possible through “The Chest” procurement system as estimates suggest that nearly 40% of all fraud committed against Local Authorities concerns abuse of the procurement cycle.</p> <p>Cabinet Office (National Fraud Initiative) data match reviewing Duplicate Payments, Duplicate Suppliers and Incorrect VAT payments.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p>
<p>Social Care Fraud</p>	<p>Inaccurate or Incomplete financial information and hidden assets - false or inaccurate information in order to qualify for support towards care costs and residential homecare.</p> <p>Direct Payment Misuse – payments are misused by social care clients or those responsible for their finances.</p> <p>Financial Misuse – Personal Assistants and/or Family Members claiming money for time they had not worked or were spending the allocated budget inappropriately.</p>	<p>DP Audit Function will review 100% of Adult and Children’s Direct Payments on an annual basis.</p> <p>Implementation of the Adult Social Care and Counter Fraud Protocol</p> <p>Counter Fraud Team to undertake investigations on a risk based approached.</p> <p>Introduction of Fraud/Finance training for Social Care Staff</p> <p>Assist colleagues in the fraud proofing of Social Care documentation issued by the Council</p> <p>Fundamental Financial Systems Audit by Internal Audit</p>

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Area of Risk	Analysis of Risk	Proposed/Established Action
Insurance Fraud	<p>False claim for slips and trips – Individuals or groups submit claims for compensation that did not occur or are exaggerated.</p> <p>Collusion with Accident Management Companies – Employees collude with management companies to exploit know weaknesses on roads.</p>	<p>Dedicated Risk and Insurance function.</p> <p>Cabinet Office (National Fraud Initiative) – Insurance claimants details matched to identify potential serial claimants between and within local authorities</p>
Educational Fraud	<p>Placement Fraud – Families provide false information about their families and residency information in order to ensure that they get into the chosen school.</p> <p>Ghost Students/Nursery Placing – Schools and Nurseries submit inflated pupil numbers in order to artificially inflate budgets.</p> <p>Schools – Lack of regular scrutiny by Senior Management and Governors.</p>	<p>Undertake a full review of the Schools and Nursery Audit programme.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p>
Housing Fraud	<p>Subletting – Properties are illegally sublet by tenants for personal gain.</p> <p>False Succession – Succession of tenancies by persons not entitled to the property.</p> <p>False Information – Information provided by applicants when applying for social housing in order to qualify for housing that they may not be entitled to.</p> <p>Right to Buy – Individuals submit false information in order to purchase a council property or receive a right to buy discount to which they are not entitled to.</p>	<p>Undertake a follow up review on the controls in place in relation to the allocation of properties by First Choice Homes.</p> <p>Review process with Legal Services in relation to “Right to Buy” cases and undertake investigations where applicable.</p> <p>Cabinet Office (National Fraud Initiative) – Housing tenant details matched to identify potential duplicate tenants between and with the local authority.</p>

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Area of Risk	Analysis of Risk	Proposed/Established Action
Car Parking Fraud	<p>Concessionary Parking Permits – The abuse of residential parking permits for personal gain.</p> <p>Pop Up Car Park – emerging fraud risk of unauthorised use of council land to charge car parking and illegal clamping fees.</p>	<p>Undertake investigation into abuse of residential parking permits</p> <p>National Fraud Initiative – Residential Parking permits data matched to identify potential duplicate permits between and with the local authority.</p>
Right to Work	Right to Work – False identity/right to work documentation in obtain council services or employment.	Cabinet Office (National Fraud Initiative) data match reviewing Immigration data against Housing Benefit, Council Tax, Payroll and Licensing.
<p>Page 124</p> <p>Active Travel Fund Monitoring</p>	Inaccurate or Incomplete financial information – false or inaccurate information provided.	<p>Reactive investigations into misuse with colleagues at GMCA</p> <p>Dip Sampling, pre and post payment checks to mitigate residual fraud risks.</p> <p>Review of Financial Reconciliations and clawback mechanisms to recover fraudulent or irregular payments.</p>
Cash Handling	Theft of Cash – Employees/Third parties dishonestly take monies with the intent to deprive the council.	<p>Roll out Internal Audit Self-Assessment Reviews for services dealing with cash collection.</p> <p>Rolling programme of Fundamental Financial Systems Audits by Internal Audit.</p> <p>Undertake referrals received by the Counter Fraud Team whilst working with colleagues in Human Resources including the use of CCTV where appropriate.</p> <p>Training of Financial Procedures Rules for new staff members and refresher training where necessary.</p>

Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
Fraud Awareness Training	Fraud Awareness Programme – Counter Fraud Training to be delivered to the appropriate staff within the Council highlighting service risks.	Fraud Awareness Training rolled out via the MeLearning Platform. Liaise with Communications Team to get the fraud awareness message out into the local authority satellite offices and schools via team brief
Cyber Fraud	<p>External hosted systems – unauthorised access to council systems in order to obtain personal data, commercially sensitive data.</p> <p>Vishing – the use of telephone systems by external parties to obtain personal of sensitive information that can be used for identity theft.</p> <p>Phishing – personal information by a cyber-attack for personal gain.</p> <p>Smishing – the use of SMS by external parties to obtain personal of sensitive information that can be used for identity theft.</p> <p>Malware – the introduction of malicious software via spam emails and pop up websites.</p> <p>Electronic Data theft – theft of electronic data by electronic means (i.e. key loggers).</p>	Salford Internal Audit Review of controls in place within the Information Management Team and ICT service.

Oldham Council Fraud and Loss Risk Assessment
1 April 2021 – 31 March 2022

Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Page 126</p> <p>HR/Payroll Fraud</p>	<p>Falsification – Falsification of expenses, overtime, additional hours, flexitime etc.....</p> <p>False sickness absences – working whilst on sick leave</p> <p>Ghost Employees – the creation of false employees in an attempt to exploit monies for the council</p> <p>False documentations – False identity documents, references, qualifications, right to work etc... in order to obtain employment i.e. employment vetting</p> <p>Agency/Contractor – False or exaggerated payments for agency workers by the individual or by collusion with their line manager.</p> <p>Failure to declare something of relevance – i.e. conflict of interest, criminal convictions, etc.</p>	<p>Cabinet Officer (National Fraud Initiative) data match reviewing Immigration data against payroll data.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p>
<p>Internal/External Data Matching</p>	<p>False information – information by customers provided in order to defraud the local authority of monies i.e. benefits, social care, housing, etc.</p>	<p>High risk data sets are updated on regular basis allowing further ad hoc data matching from the Cabinet Officer.</p> <p>Review the feasibility of data matching against a host of data sets throughout the AGMA region (Audit Fraud Sub Group) to reduce the risk of fraud and loss entering the system.</p>
<p>Policies and Procedures</p>	<p>Counter Fraud Strategies - The council has a series of fraud strategies designed to reduce the risk of fraud i.e. Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Prosecution Policies etc...</p>	<p>Annual review of the policies and procedures in order to keep up to date with emerging fraud risk and case law.</p>



Report to Audit Committee

Cabinet Office National Fraud Initiative Progression - Information for Elected Members

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

Officer Contact: Mark Stenson – Head of Corporate Governance

Report Author: Andrew Bloor – Assistant Manager Counter Fraud
Ext. 1205

25 March 2021

Reason for Decision

The aim of this report is for Members to note the Council's participation and progression in the Cabinet Office National Fraud Initiative (NFI) 2020/21 exercise.

Executive Summary

The report summarises the work to be carried out by the Audit and Counter Fraud Team in conjunction with the Cabinet Office National Fraud Initiative.

Recommendation

That Members of the Audit Committee note the Cabinet Office National Fraud Initiative Progression - Information for Elected Members Report.

**Cabinet Office National Fraud Initiative Progression
Information for Elected Members****1 Background**

1.1 The National Fraud Initiative (NFI) is a long-standing data matching exercise run initially by the Audit Commission, and latterly, from April 2015, by the Cabinet Office. The purpose of the exercise is to match electronic data within, and between, participating bodies to prevent and detect fraud and error. This has been conducted primarily through matching sets of prescribed data that each local authority maintains, with similar data sets submitted by other local authorities, public bodies and a number of private sector bodies.

2 Arrangements for NFI Exercise 2020/21

2.1 The biennial matching for NFI commenced in February 2021. The Audit and Counter Fraud Team is the central coordinator for the data matches received from the Cabinet Office and ensures matches are investigated, liaising as required with Departments within the Council, other Authorities and multi agencies. The Key Contact within Audit and Counter Fraud will also maintain the web-based application provided by the Cabinet Office which tracks progress on matches reported.

2.2 The value to the Council of the NFI, in addition to the identification and recovery of both fraud and error, is in its role as a deterrent for fraud and as a measure of assurance for the various systems to prevent and detect fraud or loss.

2.3 The legitimate use of personal data in this initiative is covered by the Data Protection Act and as such there are requirements to explain to individuals providing this information that their data will be used for the prevention and detection of fraud. To satisfy these requirements the Council has included 'fair processing notices' on all application forms, letters and bills. A privacy notice is also included on the Council's website.

2.4. It has been agreed that the existing mandatory data matches listed below would continue to be part of the NFI 2020/21. However, the Private Supported Care Homes and Personal Budgets Social Care data sets will be excluded from the main NFI 2020/21 exercise. The Cabinet Office has identified that this data matching has been blocked due to concerns about patient data but has indicated that the data sets will be collected and matched to a later timetable than that of the main exercise. The Cabinet Office has also identified a new data specification for Covid-19 grant recipients.

2.5 The Council submitted the following datasets to the Cabinet Office for the main NFI 2020/21 exercise.

- Payroll
- Pensions
- Trade Creditors History
- Trade Creditors Standing
- Council Tax Reduction Scheme
- Council Tax (Single Person Discount)
- Housing Benefit Claimants (externally provided)
- Electoral Register
- Student Loans (externally provided)
- Resident Parking Pass
- Blue Badges Pass

- Business Rates
- Concessionary Travel Pass
- Taxi Driver Licenses
- Covid 19 Grant Recipients

- 2.6 A detailed data specification of the information required for each of the above datasets has been provided by the Cabinet Office. The data above has been obtained, reviewed and uploaded to the Cabinet Office web-based application by the key contact within the Audit and Counter Fraud Team.
- 2.7 The results of the matching exercise arising from the Council's data submitted to the Cabinet Office in December 2020 were provided to the Council on the 31 January 2021 apart from the Covid 19 Grant Recipients data match which will be made available on 31 March 2021.
- 2.8 Appendix 1 details the output of data matches provided to the Council on the 31 January 2021.
- 2.9 As in previous years, reports will be brought to future meetings of the Audit Committee to provide Members with updates on the outcomes from the investigations undertaken regarding NFI 2020/21 data matches.

3 **Options/Alternatives**

- 3.1 N/A

4 **Preferred Option**

- 4.1 N/A

5 **Consultation**

- 5.1 N/A

6 **Financial Implications**

- 6.1 The exercise is a significant contribution to the Council's responsibility for the prevention and detection of fraud. The cost to the Council of participation in NFI 2020/21 has increased marginally and the standard fee of £3,750 for NFI will rise to £3,800. It should also be noted that a penalty fee of 5% of the standard fee (£190) has been introduced and may be levied for late or inaccurate data submissions. The Council as required has submitted all its data within the specified timescale.

7 **Legal Services Comments**

- 7.1 The Council is required to participate in the NFI under Part 6 of the Local Audit and Accountability Act (LAAA) 2014.
- 7.2 The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis. In addition, bodies can provide data for matching on a voluntary basis.

- 8 **Cooperative Agenda**
- 8.1 N/A
- 9 **Human Resources Comments**
- 9.1 N/A
- 10 **Risk Assessments**
- 10.1 Participation in this exercise remains a positive and integral part of the Council's commitment to the detection and prevention of fraud and error and successfully illustrates the benefit of collaboration between the organisations involved. (Mark Stenson)
- 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 N/A
- 17 **Key Decision**
- 17.1 N/A
- 18 **Forward Plan Reference**
- 18.1 N/A
- 19 **Background Papers**
- 19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act

File Ref: Background papers are included as Appendix 1
Officer Name: Andrew Bloor
Contact No: 1205

20 **Appendices**

20.1 The following Appendices are available to support this Report:

- **Appendix 1:** Cabinet Office National Fraud Initiative

National Fraud Initiative Case Type	Matches
Housing Benefit Claimants to Student Loans	44
Housing Benefit Claimants to Housing Benefit Claimants	3
Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	8
Housing Benefit Claimants to Housing Tenants	3
Housing Benefit Claimants to Taxi Drivers	126
Housing Benefit Claimants to DWP Deceased	41
Pensions/Pension Gratuity to DWP Deceased	21
Pensions to Payroll	1
Payroll to Payroll	27
Payroll to Payroll - Phone Number	386
Payroll to Payroll - Email Address	5
Payroll to Payroll - Phone Number	47
Payroll to Pensions	27
Housing Benefit Claimants to Waiting List	4
Blue Badge Parking Permit to Blue Badge Parking Permit	3
Blue Badge Parking Permit to DWP Deceased	331
Resident Parking Permit to DWP Deceased	15
Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	52
Blue Badge Parking Permit to Blue Badge Parking Permit - Email Address	58
Housing Benefit Claimants to Amberhill Data	1
Taxi Drivers to Amberhill Data	2
Council Tax Reduction Scheme to Amberhill Data	1
Council Tax Reduction Scheme to Payroll	165
Council Tax Reduction Scheme to Pensions	809
Council Tax Reduction Scheme to Council Tax Reduction Scheme	18
Council Tax Reduction Scheme to Housing Tenants	12
Council Tax Reduction Scheme to Taxi Drivers	386
Council Tax Reduction Scheme to Housing Benefit Claimants	24
Council Tax Reduction Scheme to DWP deceased	67
Duplicate creditors by creditor name	48
Duplicate creditors by address detail	116
Duplicate creditors by bank account number	39
Duplicate records by amount and creditor reference	1747
VAT overpaid	66
Duplicate records by name, invoice number and amount but different creditor reference	5
Duplicate records by invoice number and amount but different creditor reference and name	70

Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	1
Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	16
Council Tax to Electoral Register (Single Person Discount)	3251
Business Rate Grants	Expected 31 March 2021
Total Matches	8046

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Approved Audit Committee Work Programme for Quarters 3 and 4 of 2020/21

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 10 September 2020, 6.00pm.	Audit Findings Report.	Updated report to support the external audit of the 2019/20 Statement of Final Accounts.
	2019/20 Statement of Final Accounts.	This is a progress report on the updated financial position as per the Statement of Final Accounts.
	External Audit Progress Report August 2020.	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Update on Audit Matters.	An update on the proposed external tender process to appoint one external auditor and the proposal to defer the recruitment of an independent chair to the Audit Committee until the calendar year 2021.
	Proposed Audit Committee Work Programme for 2020/21.	This report detailing the proposed work programme to support the approval of the 2020/21 Statement of Final Accounts.
Page 135	Private Report; Update on Annual Governance Statement for 2019/20 and New Issues.	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.
	Private Report; 2020/21 Internal Audit and Counter Fraud Plan.	This sets out for the Committee the planned programme of work from 1 August 2020 to 31 March 2021 following the pandemic.
	Private Report; Business Grant Schemes Assurance Report.	This sets out the return provided to the Department of Business, Enterprise and Industrial Strategy about the governance processes supporting Business Grants provided as Emergency Support during lockdown.
	Private Report; Update on General Matters in 2020/21.	This report details key governance issues highlighted to the Committee including a public interest report issued to another local authority.
Tuesday 3 November 2020, 6.00 pm	External Audit Progress Report November 2020.	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Final Accounts Update Report	An update on the process to sign off the final accounts
	Treasury Management Mid-Year Review	The planned scrutiny of the Treasury Management processes before submission to Cabinet in November.

Approved Audit Committee Work Programme for Quarters 3 and 4 of 2020/21

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Update on External Audit Matters	This report considers the Redmond Review has been produced with 23 recommendations currently under consideration impacting on the production of the accounts and external audit. This report sets out the Council view on these recommendations.
	Audit and Counter Fraud Progress Report.	This is the routine report on the progress made against the agreed plan.
	Proposed Audit Committee Work Programme for 2020/21.	This report detailing the proposed work programme to support the approval of the 2020/21 Statement of Final Accounts.
	Private Report; Internal Control Matters for Payroll: Update.	This updates the Audit Committee on the key internal control matters supporting the administration of the payroll system identified as a key area for improvement.
Page 136	Private Report; Update on the Annual Governance Statement for 2019/20 and new issues.	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Head of Corporate Governance highlights to the Audit Committee.
	Private Report; Business Grant Schemes Assurance Report.	This sets out the return provided to the Department of Business, Enterprise and Industrial Strategy about the governance processes supporting Business Grants provided as Emergency Support during lockdown.
	Private Report; Partnership Risk Dashboard.	This is the follow up work requested by the Committee on partnership governance considering potential issues identified on governance in a public interest report issued elsewhere.
Tuesday 18 January 2021, 6.00pm.	External Audit Progress Report January 2021.	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Data Protection Update.	Routine GDPR report by the Data Protection Officer as required under GDPR Legislation.
	Treasury Management Strategy Statement 2021/22	This sets out the Proposed Strategy for 2021/22 to support the Corporate Objectives of the Council.
	Audit and Counter Fraud Progress Report	This is the routine report on the progress made against the agreed Internal Audit and Counter Fraud Plan.
	Cabinet Office National Fraud Initiative Arrangements for 2020/21 - Information for Elected Members	This is a report to brief members of the current initiative which is ongoing to detect potential fraud and loss in the Authority.

Approved Audit Committee Work Programme for Quarters 3 and 4 of 2020/21

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Proposed Audit Committee Work Programme for 2020/21	This report detailing the proposed work programme to support the approval of the 2020/21 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2019/20 and new issues.	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.
	Private Report; Update on General Matters in 2020/21	This report details key governance issues highlighted to the Committee including a public interest report issued to another local authority.
	Private Report; Business Grant Schemes Assurance Report.	This sets out the return provided to the Department of Business, Enterprise and Industrial Strategy about the governance processes supporting Business Grants provided as Emergency Support during lockdown.
Thursday 25 March 2021, 9.00 pm 137	Audit Annual Audit Letter 2019/20	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Audit of Housing Benefit Subsidy 2019/20	This report considers the feedback on the audit of the housing subsidy grant claim.
	Audit of Teachers' Pensions Agency Return 2019/20.	This report considers the feedback following the external Audit of the Teachers' Pension Agency.
	2020/21 Final Accounts - 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 2020/21 Statement of Accounts.
	Audit and Counter Fraud Progress Report	This is the routine report on the progress made against the agreed Internal Audit and Counter Fraud Plan.
	Internal Audit and Counter Fraud Plan 2021/22	The proposed plan of work for the financial year 2020/21 to enable review by the Committee.
	Cabinet Office National Fraud Initiative Progression.	This is a report to brief members of the current initiative which is ongoing to detect potential fraud and loss in the Authority.
	Approved Audit Committee Work Programme for 2020/21 and Planned Work Programme for Q1 2021-22.	This report detailing the proposed work programme to support the approval of the 2020/21 Statement of Final Accounts.
	Private Report; Internal Audit and Counter Fraud Plan 2021/22	The proposed plan of work for the financial year 2020/21 to enable review by the Committee.

Approved Audit Committee Work Programme for Quarters 3 and 4 of 2020/21

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Business Grant Schemes Assurance Report.	This sets out the return provided to the Department of Business, Enterprise and Industrial Strategy about the governance processes supporting Business Grants provided as Emergency Support during lockdown.
	Private Report; Partnership Risk Dashboard	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.
	Private Report; Update on General Matters 2020/21	This report identifies a number of governance issues reported in the public domain linked into financial administration at other local authorities.
	Private Report; Update on the Annual Governance Statement for 2019/20 and new issues.	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.

Planned Audit Committee Work Programme for Quarter 1 of 2021/22

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday early June 2021, 6.00pm	Data Protection Update	Routine six monthly report by the Data Protection Officer as required under GDPR.
	External Audit Progress Report May 2021.	An update produced by the external auditor of issues to be brought to the attention of the Committee.
	Informing the Risk Assessment 2020/21 (Director of Finance).	This report details the questions to those charged with Governance to enable the Statement of Financial Accounts to be audited.
	Informing the Risk Assessment 2020/21 (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.
	Review of System of Internal Audit by the Audit Committee	Annual Review of the system of internal audit using the balanced scorecard.
	2021/22 Internal Audit and Counter Fraud Plan.	The proposed plan of work for the financial year 2020/21 to enable review by the Committee.
Page 139	Internal Audit Charter 2020/21	Proposed update to the Audit Charter for 2020/21 to reflect any changes required
	Update on Redmond Review and its implications.	A follow up review as the implications for the external audit process is clarified.
	Update of Local Code of Corporate Governance to June 2021	Update of the previously agreed Local Code of Corporate Governance.
	Private Report; Corporate Risk Register 2020/21	This updates the Audit Committee on the implementation of the Framework previously agreed and the issues identified in the Corporate Risk Register.
	Private Report; Inspection by the Office of the Surveillance Commissioner	Feedback on the Desktop Inspection undertaken by the Office of the Surveillance Commissioner
Late June 2021, 6.00pm	2020/21 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.
	Annual Governance Statement 2020/21	Draft Annual Governance Statement included within the Statement of Accounts for review and scrutiny.
	2020/21 Draft Annual Statement of Accounts	Draft Statement of Accounts subject to external audit for approval by the Committee.
	Review of Corporate Fraud Policies	An annual review of the Counter Fraud Suite of policies to reflect the recent legislation.

Approved Audit Committee Work Programme for Quarters 3 and 4 of 2020/21

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Senior Information Risk Officer (SIRO) Update	Annual report of the SIRO including an overview of reported data breaches.

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