

**AUDIT COMMITTEE**  
**Regulatory Committee**  
**Agenda**

Date Thursday 10 June 2021

Time 6.00 pm

Venue Council Chamber, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

- 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 Sian Walter-Browne in advance of the meeting.
  2. CONTACT OFFICER for this Agenda is Sian Walter-Browne email [sian.walter-browne@oldham.gov.uk](mailto:sian.walter-browne@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, 7 June 2021.
  4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

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.

5. ATTENDANCE DURING COVID-19 – due to current restrictions, a limited number of members of the public are able to attend the meeting, on a first come first served basis. Face coverings must be worn at all times and details for track and trace will be required on arrival.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:  
Councillors Ahmad, Alyas, Briggs, Dean, C. Gloster, Islam (Vice-Chair), Lancaster, Salamat and Surjan

- 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 of the Audit Committee held on 25<sup>th</sup> March 2021 are attached for approval.
- 6 Audit Strategy Memorandum 2020-21 (Pages 9 - 50)
- 7 Future Training of the Audit Committee (Pages 51 - 52)
- 8 Director of Finance - Charged with Governance- Management Processes and Arrangements (Pages 53 - 64)
- 9 Audit Committee Chair - Charged with Governance - Management Processes and Arrangements (Pages 65 -76)
- 10 Local Code of Corporate Governance (Pages 77 - 88)
- 11 Review of the System of Internal Audit by the Audit Committee (Pages 89 - 96)
- 12 Internal Audit Charter 2021/22 (Pages 97 - 108)
- 13 Update on the Redmond Review and External Audit Consultations (Pages 109 - 114)
- 14 2020/21 Audit and Counter Fraud Progress Report (Pages 115 - 128)
- 15 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.
- 16 Senior Information Risk Owner Update (Pages 129 - 136)



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- 17 Business Grant Schemes Assurance Report - Small Business Grant Fund (SBGF), Retail Hospitality, Leisure Grant Fund (RHLGF) and Local Authority Discretionary Grant Fund (LADGF) (Pages 137 - 148)
- 18 Inspection by the Office of the Surveillance Commissioner (Pages 149 - 154)

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**AUDIT COMMITTEE**  
**25/03/2021 at 6.00 pm**

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

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars External Auditors
Sabed Ali	Assistant Manager - Internal Audit
Andrew Bloor	Assistant Manager - Counter Fraud
Kaidy McCann	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury
Sian Walter-Browne	Principal Constitutional Services Officer

1           **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Dean and Councillor Salamat.

2           **URGENT BUSINESS**

There were no items of urgent business received.

3           **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4           **PUBLIC QUESTION TIME**

There were no public questions received.

5           **MINUTES OF PREVIOUS MEETING**

**RESOLVED** that the minutes of the meetings of the Audit Committee held on 18<sup>th</sup> January and 21<sup>st</sup> January 2021 be approved as a correct record.

6           **ANNUAL AUDIT LETTER 2019-20**

Consideration was given to a report from the Head of Corporate Governance which presented the Annual Audit Letter 2019/20 as attached at appendix 1 prepared by the External Auditor, Mazars LLP.

The Annual Audit Letter formally reported that the external audit of the 2019/20 Statement of Accounts had been completed. The report summarised the work undertaken by Mazars LLP for Oldham Council for the year ended 31<sup>st</sup> March 2020. it had highlighted:

- the scope of the audit and the result of the work, the financial statements had given a true and fair view of the Council's financial position as at 31<sup>st</sup> 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 stated 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 31<sup>st</sup> March 2020
- Significant audit risk. One had been identified around financial sustainability. However, it was concluded 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.

Members asked for confirmation that the issues for Liverpool City Council would not happen in Oldham. It was explained by the External Auditor that they were unable to comment on work they had not undertaken.

**RESOLVED** that the Annual Audit Letter for 2019/20 be noted.

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#### **AUDIT OF HOUSING BENEFIT SUBSIDY 2019-20**

Consideration was given to a report of the Head of Corporate Governance which provided Members with the outcome of the Audit of the Housing Benefit Subsidy for the financial year 2019/20.

The report attached at Appendix 1 had been undertaken by KPMG UK LLP and had summarised the findings as overall positive with one error that had been identified that had an impact of the value of the claim. However, it was considered a minimal amount in relation to the value of transactions processed.

Members were advised that initial testing had identified one case in which the expenditure was misclassified, and a value had been understated due to a system error. An additional 40 claims were tested which ensured that the correct calculation had been applied in each case. The random sample of 40 claims identified no further cases of misclassification.

**RESOLVED** that the outcome of the Housing Benefit Subsidy Audit 2019/20 be noted.

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#### **AUDIT OF TEACHERS' PENSIONS AGENCY RETURN 2019-20**

Consideration was given to a report of the Head of Corporate Governance which advised Members of the Teachers' Pension Agency 2019/20 End of Year Certification.



Members were advised that The Teachers' Pension Contributions paid over to the Teachers Pension Agency were subject to a specific external audit review with an annual certification provided. The agreement to the contributions paid over to the Teachers' Pension Agency by the Council for the financial year 2019/20 had been confirmed on the 25<sup>th</sup> February 2021.

Members noted that the information attached at appendix 1 was overall positive and had significantly improved from previous years.

**RESOLVED** that the Certification of the Teachers' Pension Return, attached at Appendix 1, for the financial year 2019/20 be noted.

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### **2020-21 FINAL ACCOUNTS - PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS**

Consideration was given to a report of the Finance Manager (Capital and Treasury) which set out the 2020/21 Final Accounts - Proposed Accounting Policies and Critical Judgements.

Members were advised of the change in the timeline for the preparation of the 2020/21 accounts and were presented with the significant accounting policies that would be used in the preparation of the 2020/21 Statement of Accounts. Members were also advised of the changes from 2019/20 that had been introduced as a result of amendments to the Code of Practice on Local Authority Accounting 2020/21 and the requirement to disclose the critical judgements made by management during production of the Statement of Accounts.

Members made queries in regard to depreciation of assets and how that would be verified. It was noted that Unity Partnership Valuers would regularly review asset life and valuations would be adjusted accordingly. Members also quired the amount of savings. Members were informed that there was around £700,000 in the accounts for the budget however this would be likely increased and would be confirmed in April 2021.

**RESOLVED** that:

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

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## MARCH 2021

Consideration was given to a report of the Assistant Manager Counter Fraud and Assistant Manager internal Audit which provided Members with a high-level progress report on the work of the Audit and Counter Fraud team up to 28 February 2021.



Members were informed of the priority 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 commenced in February 2021 with all the fieldwork completed around the first stage testing as part of the review of 14 systems with throughput value of over £10m. Due to the Covid-19 pandemic, Internal Audit had also continued to provide non-audit related administration support to Revenues and Benefits services for the Covid related business grants. Internal Audit had been liaising closely with Mazars the External Auditor to support the final accounts around the review of key controls and system reviews.

Members were advised of the work that had been completed which included the Schools Payroll that had been successfully transferred to the iTrent system. Assurance of the controls and stability of the new system would be monitored on a monthly basis however no significant errors had been identified during the migration. Work around EU funded grant schemes had also been undertaken by the Audit team which ensured that grants had been spent in line with the grant conditions. A new Audit Management System had been selected and would be implemented in June 2021.

Members noted the information at appendix 2 that highlighted key points in relation to Corporate Counter Fraud which included:

- 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.

Members queried the employee abuse of position and were informed that most cases were due to exploitation of the Blue Badge system. Members also referred to point 25 and 26 in Appendix 1 and enquired why they had been rated inadequate. Members were advised that the work was linked to the Direct Payments Team. An action plan was in place as the areas had been on the radar and had been a problem area for several years. Covid-19 had also had a direct effect on the payments.



**RESOLVED** that the 2020/21 Audit and Counter Fraud Progress Report up to 28 February 2021 be noted.

11 **INTERNAL AUDIT AND COUNTER FRAUD PLAN 2021-22**

Consideration was given to a report of the Head of Corporate Governance which advised Members on the proposed revised Internal Audit and Counter Fraud Plan for the financial year 2021/22.

Members were informed that the plan was based on the Audit needs Assessment conducted by the Head of Corporate Governance and took into account several Covid-19 risk factors and known planned developments that would ensure adequate controls were in place to support the overall governance arrangements for the Council.

Members enquired how the risk assessment scoring was undertaken. Members were advised that where the risk assessments were rated high, checks would be undertaken twice a year due to the impact that would be caused. Members noted that the money that came in for the financial year was higher than previous. £150 million extra had been received from Central Government which meant work needed to be done harder due to the management of funds. Members asked if more staff could be brought in to relieve the added pressure of the additional funds. It was noted that use of funds depended on where they had come from and some funds were directly paid upfront.

**RESOLVED** that the Internal Audit and Counter Fraud Planning process and the Audit and Counter Fraud Plan for 2021/22 at Appendix 1 be agreed.

12 **CABINET OFFICE NATIONAL FRAUD INITIATIVE PROGRESSION- INFORMATION FOR ELECTED MEMBERS**

Consideration was given to a report from the Assistant Manager Counter Fraud which advised Members of the Cabinet Office National Fraud Initiative Progression.

Members were advised that the initiative was a long-standing data matching exercise ran initially by the Audit Commission until 2015 when it was taken over by the Cabinet Office. Members were informed that the process was long winded and time consuming however it allowed officers to easily check anomalies.

**RESOLVED** that the Cabinet Office National Fraud Initiative Progression - Information for Elected Members Report be noted.

13 **APPROVED AC WORK PROGRAMME Q3 AND Q4 2020/21**

## **AND PLANNED WORK PROGRAMME Q1 2021/22**

**RESOLVED** that the submitted Audit Committee Work Programme 2020/21 and the Planned Work Programme 2021/22 be noted.



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### **EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraphs 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

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### **INTERNAL AUDIT AND COUNTER FRAUD PLAN 2021-22**

Consideration was given to a report from the Head of Corporate Governance, which advised Members on the proposed revised Internal Audit Counter Fraud Plan that covered the financial year 2021/22. The plan was based on the Audit Needs Assessment carried out by the Head of Corporate Governance. The proposed plan took into account several Covid-19 risk factors that had shaped the plan and known planned developments that ensured adequate controls were in place to support the overall governance arrangements for the Council.

**RESOLVED** that the report be noted.

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### **BUSINESS GRANT SCHEMES ASSURANCE REPORT**

Consideration was given to a report from the Assistant Manager Counter Fraud, which advised Members on the reporting of assurance data by the Council to the Department for Business, Energy and Industrial Strategy (BEIS) on the administration of the Small Business Grant Fund (SBGF) and Retail, Hospitality, Leisure Grant Fund (RHLGF) and the Discretionary Grant Fund (DFG) regimes. The grant funds allowed payments to be made to eligible businesses of £25,000, £10,000 or any amount under £25,000. These were introduced by Government to provide emergency support due to the Covid-19 pandemic.

**RESOLVED** that the report be noted.

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### **PARTNERSHIP RISK DASHBOARD**

Consideration was given to a report from the Head of Corporate Governance which advised Members of previous reports submitted to the Committee that had highlighted the risks to the Council from poor supervision of companies/partnerships it had ownership of and how governance oversight which included that of the Audit Committee at selected Council's had failed to identify the risk in respect of the third party entities. Members had previously requested the Head of Corporate Governance prepare a report which analysed the risk to the Council from the partnerships in had interest in for its consideration at least every

6 months. The report updated the previous report submitted to the Committee on 3<sup>rd</sup> November 2020.



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**RESOLVED** that the report be noted.

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**UPDATE ON GENERAL MATTERS 2020-21**

Consideration was given to a report from the Head of Corporate Governance which advised Members on the ongoing Best Value Inspection at Liverpool City Council linked to contracting. Members were also advised on the recent capitalisation direction issued by the Ministry of Housing, Communities and Local Government to support the financial position of seven Local Authorities. Updates were provided on the commercialisation agenda and the highlighted risks at a few Local Authorities where potential losses have been reported in the public domain. Members were updated on the most recent Financial Resilience Index issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the latest position on the LOBO litigation for which the Court judgement has been handed down.

**RESOLVED** that the report be noted.

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

Consideration was given to a report from the Head of Corporate Governance which advised Members on the progress made to reduce the risk of issues arisen for the Council to address where matters were identified as areas that required improvement in the internal control within the Annual Governance Statement for 2019/20. Members were asked to identify new risks which were considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2020/21. Members were provided with an update on the revised guidance issued on the production of the Annual Governance Statement including the requirement to report on the implementation of the Financial Management Code.

**RESOLVED** that the report be noted

The meeting started at 6.00 pm and ended at 8.04 pm

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## Report to Audit Committee

# Audit Strategy Memorandum 2020/21

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Anne Ryans, Director of Finance

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

**Ext.** 4783

**10 June 2021**

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### **Purpose of Report**

Attached to this report is the proposed Audit Strategy Memorandum for the financial year 2020/21.

### **Executive Summary**

The Audit Strategy Memorandum sets out the proposed work to be undertaken by the external audit team on the 2020/21 Statement of Final Accounts including the Value for Money Opinion which is linked into the future financial resilience of the Council.

The report will be presented by the External Auditor.

### **Recommendations**

That Members of the Audit Committee note the Audit Strategy Memorandum for 2020/21.

# Audit Strategy Memorandum

Oldham Metropolitan Borough Council

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Year ending 31 March 2021



# Contents

- 01 Engagement and responsibilities summary
- 02 Your audit engagement team
- 03 Audit scope, approach and timeline
- 04 Extended auditor’s report
- 05 Significant risks, key audit matters and other key judgement areas
- 06 Value for Money
- 07 Fees for audit and other services
- 08 Our commitment to independence
- 09 Materiality and misstatements

Appendix – Key communication points

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

Audit Committee  
Oldham Metropolitan Borough Council  
Civic Centre  
West Street  
Oldham  
OL1 1UT

Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

24 May 2021

Dear Audit Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Oldham Metropolitan Borough Council for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Oldham Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234043.

Yours faithfully

Karen Murray

Partner, Mazars LLP

Mazars LLP – One St Peter's Square, Manchester, M2 3DE

Tel: 0161 238 9200 – [www.mazars.co.uk](http://www.mazars.co.uk)

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Oldham Metropolitan Borough Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



### Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Director of Finance is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



### Value for money

We are also responsible for forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.



### Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

# 02

Section 02:

**Your audit engagement team**

# 2. Your audit engagement team

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**Karen Murray**  
Engagement Partner

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**Alastair Newall**  
Engagement Senior Manager

Email [alastair.newall@mazars.co.uk](mailto:alastair.newall@mazars.co.uk)  
Telephone 07909 986776

**Yogita Das-Patel**  
Engagement Assistant Manager

Email [Yogita.das-patel@mazars.co.uk](mailto:Yogita.das-patel@mazars.co.uk)  
Telephone 07583 130236

In addition an Engagement Quality Control Reviewer has been appointed for this engagement.



# 03

Section 03:

## **Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 9.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

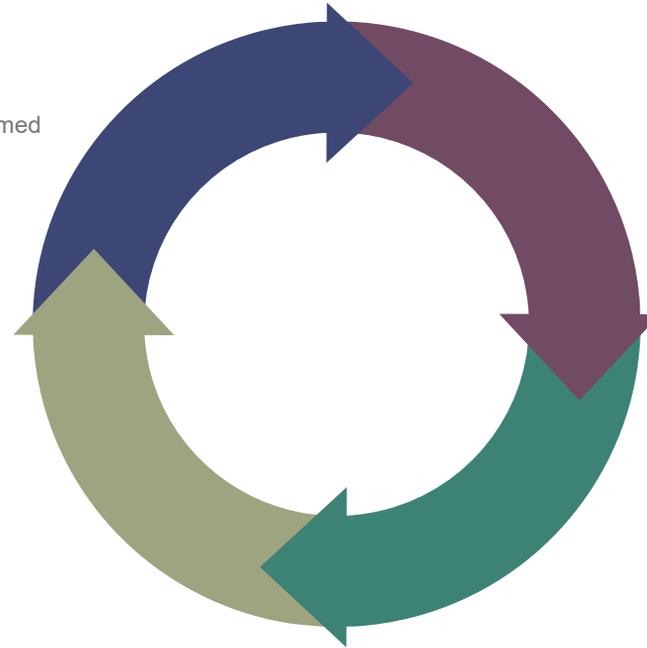
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## Planning (January-February 2021)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion (August/September 2021)

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report



## Interim (March 2021)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork (June-July 2021)

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Group audit approach

The Council’s group structure for 2020/21 will include two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited. In auditing the accounts of the Council’s Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council’s subsidiary companies.

Our approach will reflect the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council’s Group financial statements. Based on our planning discussions and review of previous year’s accounts, we do not consider either subsidiary company to be a financially significant component. However, we do consider that our significant risk relating to the Pension Liability, as set out in section 5, is a risk at the Group level and applies to the subsidiary companies as well as the Council.

Our planned approach, based on our initial understanding of 2020/21 and the values reported in the prior year financial statements, is to obtain assurance on the pension liability significant risk from carrying out our own audit procedures and we do not plan to obtain specific assurance from the component auditors of the two companies. Our planned approach for the remaining group financial statement entries is to undertake group level analytical procedures. The table below summarises our planned group audit approach.

If there are any changes to our assessment of the significance of the Council’s group components, either through the size and complexity or the significant risks at the components, we will communicate these changes to the Audit Committee.

Entity	Significant by size	Significant risk	Planned audit scope	Auditor
Oxford MBC	Yes	Yes	Full audit carried out by group engagement team	Mazars - group engagement team
Miocare CIC Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures	Mazars - group engagement team
Unity Partnerships Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures	Mazars - group engagement team



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – NAO’s consulting actuary
Property, Plant and Equipment and Investment Property valuation	Unity Partnership Ltd	We will use available third party information to challenge the key valuation assumptions
Valuation of Manchester Airport land	Jacobs Ltd	Mazars in-house valuation team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Mazars in-house valuation team
Valuation of Financial Instruments	Link Asset Services	We will review Link’s methodology for providing the fair value disclosures

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the [Council] and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll, non-pay expenditure and other transactional items of account	The Unity Partnership Ltd	We plan to obtain assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly.  Our testing will include sample testing of transactions based on evidence available from the Council rather than the service organisation.



# 04

Section 04:

## **Extended auditor's report**

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# 4. Extended auditor's report

## Layout of extended auditor's report and implications for the audit

The extended auditor's report for the Council is expected to follow the format and structure below for the year ending 31 March 2021 assuming that no emphasis of matter or qualification is required.

Paragraph heading in order	Summary of key content
Opinion on the financial statements	What we have audited and our opinion thereon.
Basis for opinion	Confirms that the audit is undertaken under the ISAs (UK). Specific confirmation of our independence including with the FRC's Ethical Standard. Specific confirmation re sufficiency and appropriateness of audit evidence obtained to provide a basis for our opinion.
Conclusions relating to going concern	Reporting by exception on the Council's: <ul style="list-style-type: none"> <li>• use of the going concern basis of accounting</li> <li>• disclosure of any material uncertainties</li> </ul>
Key audit matters	Includes definition of key audit matters. Clarifies that these matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and that we do not provide a separate opinion on these matters. For each key audit matter identified: <ul style="list-style-type: none"> <li>• A description of the most significant assessed risk(s) of material misstatement;</li> <li>• A summary of our response to those risks including significant judgements applied; and</li> <li>• Where relevant, key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements.</li> </ul>

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# 4. Extended auditor's report

Paragraph heading in order	Summary of key content
<b>Our application of materiality and an overview of the scope of our audit</b>	<p>Explanation of how we applied the concept of materiality in planning and performing the Group and Council audit.</p> <p>The overall materiality threshold for the Group and Council financial statements as a whole, performance materiality and triviality threshold.</p> <p>Overview of the scope of the Group and Council audit, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.</p>
<b>Other information</b>	Responsibilities of the Director of Finance and of the auditor for Other information included in the Statement of Accounts.
<b>Responsibilities of the Director of Finance</b>	Cross reference to the full Statement of the Director of Finance's Responsibilities.
<b>Auditor's responsibilities for the audit of the financial statements</b>	<p>Explanation of the 'reasonable assurance' objective of the audit.</p> <p>Cross-reference to our responsibilities for the audit on the FRC's web-site.</p> <p>Explain to what extent the audit was considered capable of detecting irregularities, including fraud.</p>
<b>Matters on which we are required to report by exception</b>	<p>Report in the public interest under section 24 of the Local Audit and Accountability Act 2014.</p> <p>Recommendation under section 24 of the Local Audit and Accountability Act 2014.</p> <p>Exercise of any other special powers of the auditor under the Local Audit and Accountability Act 2014.</p>

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# 4. Extended auditor's report

Paragraph heading in order	Summary of key content
Value for Money arrangements	Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
Other matters which we are required to address	Confirms that we have not carried out any prohibited non-audit services and that we remain independent on the Council and its Group. Confirms that our audit opinion is consistent with the Audit Completion Report.
Use of the audit report	Who we are reporting to and what the report may be used for.
Audit certificate	Sets out that we have completed the audit of the Council in accordance with the Local Audit and Accountability Act 2014.

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# 05

Section 05:

**Significant risks, key audit matters  
and other key judgement areas**

Page 26

# 5. Significant risks, key audit matters and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

Significant risks may also be key audit matters.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. Standard risks will not normally be key audit matters as defined below.

## Key audit matters

Key audit matters are defined as those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way this is described. This section highlights which of the significant risks and other key judgement areas are considered by us at the planning stage to be key audit matters. It should be noted, however, that other key audit areas may be identified during the course of the audit.



# 5. Significant risks, key audit matters and other key judgement areas

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council and Group, identifying those that are considered key audit matters ('KAMs'). We have summarised our audit response to these risks on the following pages.



# 5. Significant risks, key audit matters and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
1 Page 29	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



# 5. Significant risks, key audit matters and other key judgement areas

## Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
2	<p><b>Valuation of land &amp; buildings (Council)</b></p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant &amp; equipment revalued in a five-year cycle.</p> <p>The valuation of property, plant &amp; 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.</p> <p>The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p> <p>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 the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end.</p> <p>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>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer.</li> <li>Obtaining an understanding of the basis of valuation applied by the valuer in the year.</li> <li>Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2020/21 are materially fairly stated.</li> <li>Obtaining an understanding of the Council's approach to ensure that assets revalued through 2020/21 are materially fairly stated at the year end.</li> <li>Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.</li> <li>Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2021.</li> <li>Obtaining 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.</li> <li>Testing the accuracy of how valuation movements were presented and disclosed in the financial statements. Testing a sample of items of capital expenditure in 2020/21 to confirm that the additions are appropriately valued in the financial statements.</li> </ul>

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# 5. Significant risks, key audit matters and other key judgement areas

## Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
3	<p><b>Valuation of Investment Property (Council)</b></p> <p>The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date.</p> <p>The valuation of Investment Property 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.</p> <p>The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council’s instructions to the valuer.</li> <li>• Obtaining an understanding of the basis of valuation applied by the valuer in the year.</li> <li>• Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council’s valuer.</li> <li>• Comparing the valuation to our external valuation expert’s estimate of the valuation.</li> <li>• Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.</li> </ul>

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# 5. Significant risks, key audit matters and other key judgement areas

## Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
4	<p><b>Valuation of Council’s and the Group’s defined benefit pension liability (Council and Group)</b></p> <p>The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies 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 and the subsidiaries’ overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council’s and the subsidiaries’ 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 pension obligations are not reasonable or appropriate to the Council’s or the subsidiaries’ circumstances. This could have a material impact to the Council and Group net pension liability in 2020/21.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council.</li> <li>Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the controls in place at the Pension Fund are free from material deficiencies.</li> <li>Reviewing 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.</li> <li>Reviewing 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.</li> <li>Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.</li> <li>Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s and Group’s financial statements.</li> </ul>

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# 5. Significant risks, key audit matters and other key judgement areas

## Other key areas of management judgement, key audit matters and enhanced risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
5	<p><b>Valuation of investment in Manchester Airport Holdings Limited</b></p> <p>The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2021. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.</p>	○	●	●	○	<p>Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.</p> <p>The Mazars in-house valuation team will review the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.</p>

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# 06

## Section 06: **Value for Money**

Page 34

# 6. Value for Money

## The framework for Value for Money work

We are required to form a view as to 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 view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

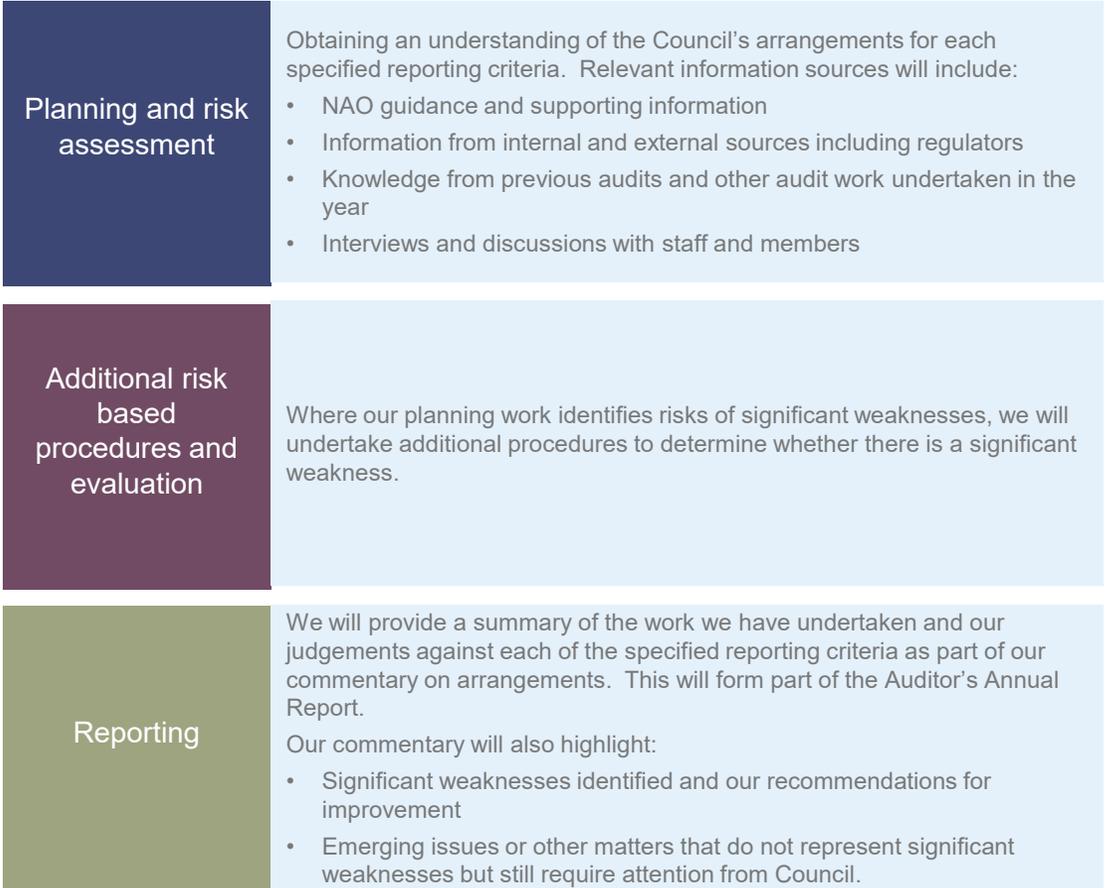
## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



# 6. Value for Money

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to a subsequent meeting of the Audit Committee.

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# 07

Section 07:

## **Fees for audit and other services**

Page 37

# 7. Fees for audit and other services

## Fees for work as the Council's appointed auditor

At this stage of the audit we have set our proposed fees in the table below. We will report any expected changes to the Audit Committee through the year, and at the completion of our audit work.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Delivery of audit work under the NAO Code of Audit Practice <sup>1</sup>	104,428	104,428
Additional fees		
- Recurrent scope changes <sup>2</sup>	17,750	17,750
- 1-year scope changes <sup>3</sup>	TBC*	4,500
- Additional requirements for Oldham MBC <sup>4</sup>	4,500	7,500
<b>Total fees</b>	<b>126,678*</b>	<b>134,178</b>

<sup>1</sup> The scale fee was initially set by PSAA in 2018.

<sup>2</sup> The additional fees in 2019/20 relate to additional testing of land & buildings and investment property valuations and additional pension liability procedures. We expect to request similar additional fees in 2020/21.

<sup>3</sup> The additional fees in 2019/20 relate to additional audit work as a result of impact of Covid-19 on the Council's reporting and accounting policies. In 2020/21 the new Code of Audit Practice will lead to a substantial amount of additional audit work to support the new value for money report. Our review of the Code and supporting guidance notes has led us to estimate that the additional fee impact for Code audits will be at least £10,000. The actual fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

<sup>4</sup> The additional fees in 2019/20 relate to the additional reporting requirements relating to Oldham MBC being classified as a Public Interest Entity (PIE) along with additional work on specific issues in year. In 2020/21 we expect to request additional fees relating to the additional PIE reporting.

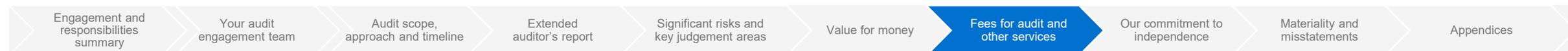
## Fees for non-audit work

We have not been engaged by the Council to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

## Services provided to other entities within the Council's group

Mazars LLP have been engaged as external auditors by Unity Partnerships Ltd. Mazars LLP do not provide any other services to Unity Partnerships Ltd and do not provide any services to Miocare Community Interest Company Ltd.

The audit fees agreed for the external audit of Unity Partnerships Ltd 2020/21 financial statements are £25,235.



# 08

Section 08:

**Our commitment to independence**

Page 39

## 8. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council (FRC) to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

We have not made arrangements for any of our activities as auditor to be conducted by another firm that is not a Mazars' member firm. In section 3 we have outlined the experts that we intend to use as part of our audit. We will write to these experts seeking confirmation of their independence and will report this within our Audit Completion Report to the Audit Committee.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

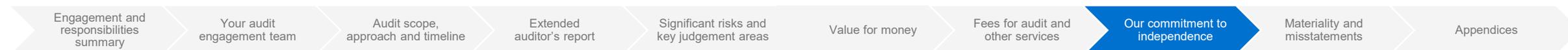
Principal threats to our independence and identified associated safeguards are set out below.

Mazars LLP are engaged by Unity Partnerships Ltd to carry out the external audit of their financial statements. The safeguards we have put in place to ensure our compliance with the FRC Ethical Standard are:

- A separate engagement lead and audit team carry out the external audit of Unity Partnership Ltd. This engagement lead and audit team have no involvement in the audit of the Council and the Group financial statements.
- The group engagement team do not intend to request or obtain assurance from the Unity Partnership Ltd audit team as part of their external audit.
- The audit fees received for the external audit of Unity Partnership Ltd are only £x, representing only x% of the Council and Group external audit fees.

In our professional judgement the safeguards that have been applied eliminate the identified threats to independence or reduce them to an acceptable level.

Any further emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



# 09

Section 09:

## **Materiality and other misstatements**

Page 41

# 9. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Group	Council
Overall materiality	£13,900,000	£13,800,000
Performance materiality	£11,120,000	£11,040,000
Specific materiality: Officer Remuneration bandings	N/A	£5,000 *
Typical threshold for errors to be reported to Audit Committee	£417,000	£414,000

\* Reflecting movement from one salary band to another

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

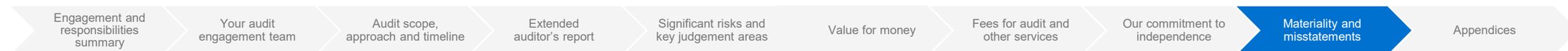
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 9. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/deficit on provision of services. In setting materiality there were no additional qualitative factors which were considered.

Based on the audited financial statements for 2019/20 we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £13.9m for the Group financial statements and of £13.8m for the Council financial statements (2019/20: £13.5m for the Group and £13.4m for the Council).

We have identified one disclosure in the financial statements where we have set a separate specific lower materiality level:

- Officer Remuneration bandings: £5,000 reflecting the movement between bandings.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on our assessment of a low inherent risk, meaning that we have applied 80% of overall materiality as our level of performance materiality.

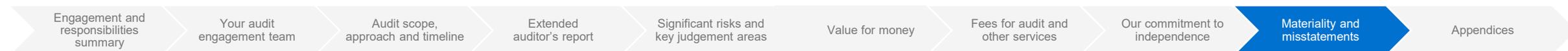
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £417,000 for the Group and £414,000 for the Council based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

## Reporting to the Audit Committee

The following three types of audit differences will be presented to the Audit Committee:

- A summary of adjusted audit differences;
- A summary of unadjusted audit differences; and
- A summary of disclosure differences (adjusted and unadjusted).





## Appendix: Key communication points

# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

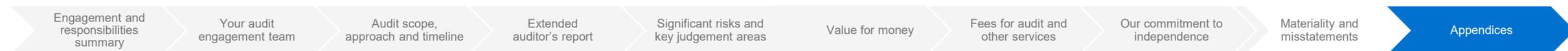
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

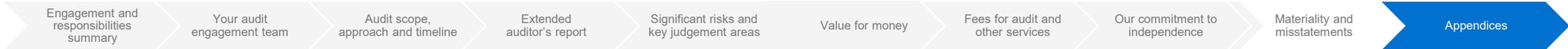


# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks/ key audit matters.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion;</li> <li>• The effect of uncorrected misstatements related to prior periods;</li> <li>• A request that any uncorrected misstatement is corrected; and</li> <li>• In writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• A discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at the Audit Committee, Audit Planning and Clearance meetings

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# Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management;</li> <li>• Inappropriate authorisation and approval of transactions;</li> <li>• Disagreement over disclosures;</li> <li>• Non-compliance with laws and regulations; and</li> <li>• Difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• Significant difficulties, if any, encountered during the audit;</li> <li>• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• Written representations that we are seeking;</li> <li>• Expected modifications to the audit report; and</li> <li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>

# Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and the Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty;</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the Council and Group financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report
Identification of each key audit partner involved in the audit	Audit Strategy Memorandum

## Mazars

One St Peter's Square

Manchester

M23DE

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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**

### **Future Training of the Audit Committee**

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

**Officer Contact:** Anne Ryans, Director of Finance

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

**Ext.** 4783

**10 June 2021**

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### **Reason for Decision**

This is the first meeting of the Audit Committee in the Municipal Year 2021/22. This Committee has a key role in the Governance of the Authority and at the meeting it is planned for key officers to discuss future training to be provided for Members to enable them to discharge their role.

### **Executive Summary**

The Committee contains some Members who have been appointed to the Committee in previous years and some new Members who have no Audit Committee experience. The role the Committee undertakes for the Council is an important one, providing challenge and scrutiny across all areas of the Council's activities. It involves oversight of some technically complex issues such as Treasury Management and is required to approve the Statement of Accounts.

It is thought appropriate at the first meeting of the Committee, to outline the thoughts of key officers on providing training to Members. Members can then highlight if they feel this is appropriate, discuss with Officers any specific areas for emphasis and consider the timing of training sessions.

### **Recommendations**

That Members of the Audit Committee consider and agree upon areas for training during 2021/22.

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## **Report to Audit Committee**

### **Charged with Governance- Management Processes and Arrangements**

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Anne Ryans, Director of Finance

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

**Ext.** 4783

**10 June 2021**

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### **Reason for Decision**

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

### **Executive Summary**

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

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

Mazars has sent the Director of Finance a questionnaire setting out their inquiries of TCWG. The questionnaire and the Director of Finance's proposed responses are set in the attachment.

### **Recommendations**

That Members of the Audit Committee note the response of the Director of Finance.

Anne Ryans  
Director of Finance  
Oldham Metropolitan Borough Council  
Civic Centre  
Oldham  
OL1 1UT

Direct line 0161 238 9243 / 07909 986776

Email Alastair.Newall@mazars.co.uk

25 May 2021

Dear Anne

## External Audit 2020/21 – understanding management processes and arrangements

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

- What processes are in place at the Council to:
  - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
  - identify and respond to **risks of fraud**;
  - **communicate to employees the Council's views on business practice and ethical behaviour** (for example by updating, communicating and monitoring against relevant codes of conduct); and
  - **communicate to the Audit Committee the processes for identifying and responding to fraud or error.**
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2020/21?
- Are there any **actual or potential litigation or claims that would affect the financial statements?**
- **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020.

In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of

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Mazars LLP is the UK firm of Mazars, an integrated international accounting and consultancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

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the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2020/21.

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

Yours sincerely

**Karen Murray**  
Partner

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

Question	Management Response
<p><b>and ethical behaviour</b> (for example by updating, communicating and monitoring against relevant codes of conduct); and</p>	<p>Information”, “Relationships”, “Contractors” and “Behaviour during Tendering”.</p> <p>The Code of Conduct is available via the Council’s Intranet and is included as part of the Council’s induction training. The A&amp;CF Team delivers training which incorporates reference to this guidance.</p>
<p>○ <b>communicate to the Audit Committee the processes for identifying and responding to fraud or error.</b></p>	<p>Fraud risks and issues are reported by the Assistant Director Corporate Governance and Strategic Financial Management in the A&amp;CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting; e.g. update against specific risks in the Council’s Annual Governance Statement.</p> <p>The suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council’s Audit Committee on 12 September 2019. An updated policy to counter misappropriation of Business Grants was submitted to the Audit Committee at its meeting on 4 June 2020.</p> <p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Assistant Director Corporate Governance and Strategic Financial Management at the appropriate time.</p> <p>The Annual Governance Statement identifies the risks linked into the Transparency Agenda.</p>
<p>• How does management gain assurance that <b>all relevant laws and regulations have been complied with?</b> Have there been any instances of non-compliance during 2019/20?</p>	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council’s Committees include formal comments from appropriate statutory officers.</p> <p>In response to the COVID 19 pandemic which resulted in extensive home working and devolved decision making from 23 March 2020 the Council invoked emergency powers enabling key officers/ Members to take emergency decisions in line with the Constitution. These arrangements continued during 2020/21 with key groups set up to oversee appropriate governance of spend.</p> <p>At the Audit level, Internal Audit will review whether the Council has arrangements in place to identify the necessary legal framework and that steps have been taken to consider the matters arising.</p> <p>Specific training is also arranged by relevant teams; e.g. Legal Services.</p>
<p>• Are there any <b>actual or potential litigation or claims</b></p>	<p>All appropriate matters have been incorporated into the production and review of the Annual Governance Statement. As at 31 March 2021 there</p>

Question	Management Response
<p><b>that would affect the financial statements?</b></p>	<p>is no specific matter which is required to be reported upon in the accounts.</p> <p>The perceived risks in the financial year 2020/21 have been considered and appropriately reported to the Audit Committee.</p>
<p>• <b>What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.</b> For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020.</p>	<p>The controls in place are:</p> <ul style="list-style-type: none"> <li>• The separate disclosure Note to the Council's Statement of Accounts "Note 12: Related Parties" (which is subject to audit) sets out the key transactions with all related parties.</li> <li>• Members' Code of Conduct.</li> <li>• Members' Register of Interests in line with the 2011 Localism Act.</li> <li>• Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts.</li> <li>• Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct.</li> <li>• Officers' Remuneration is disclosed in Note 9 to the Council's Statement of Accounts.</li> <li>• Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out the relevant information to disclose, together with CIPFA Bulletins on Closure of the 2020/21 Financial Statements.</li> <li>• Internal and External Audit monitor compliance.</li> <li>• The Council operates a Standards Committee.</li> <li>• Levy Bodies are subject to a separate external audit process.</li> </ul>

Question	Response
<p>1. Are you aware of any <b>actual, suspected or alleged instances of fraud</b> during the period 1 April 2019 – 31 March 2020 (<i>if 'yes', please provide details</i>)?</p>	<p>No, during this period of time, there has been no significant (i.e. greater than £10k) corporate (in-house) fraud committed by internal staff, which have required investigation.</p> <p>Throughout 2020/21, the Assistant Director Corporate Governance and Strategic Financial Management has reported on a confidential basis, the sensitive matters it was appropriate to highlight to the Committee including the risks associated to the Council from poor oversight of key partner organisations.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>As at 31 March 2021 all instances of suspected fraud within the organisation had been investigated.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk of the potential that management is unaware of some fraud occurring.</p> <p>An added assurance that appropriate controls are in place is the opinion, given in the Annual Report, of the Assistant Director Corporate Governance and Strategic Financial Management.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud risks are captured, reported and monitored via the Fraud and Loss Risk Assessment, the Fraud Response Plan and potential fraud risks are assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p>	<p>Yes. In all financial systems for 2020/21, there are agreed processes to review transactions. The Fundamental Financial Systems reviews support this process.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee and included in the Council's Annual Governance Statement (AGS). Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up to improve process for issues included in the AGS.</p>

Question	Response
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council has experienced significant change in social care and, due to the on-going integration with health partners, it continues to track the potential risk around these service areas as this is clearly an area of management focus.</p> <p>The funding provided to assist the wider government response to the COVID-19 pandemic has changed the risk profile in relation to fraud. The Council has, however, introduced appropriate safeguards into its administration to minimise loss in this area.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Staff Code of Conduct. Following a risk assessment process, the A&amp;CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p>
<p>7. What concerns about fraud are staff expected to report?</p>	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.</p>
<p>8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p>	<p>None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified in 2020/21.</p> <p>The funding provided to assist the wider government response to the COVID-19 pandemic has changed the risk profile for the financial year 2020/21 as reported above.</p>

Question	Response
<p>9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> <li>• Members' Code of Conduct.</li> <li>• Members' Register of Interests in line with the 2011 Localism Act.</li> <li>• Member's Allowances' are disclosed in Note 8 to the Council's Statement of Accounts.</li> <li>• Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct.</li> <li>• The Council operates a Standards Committee.</li> <li>• Levy Bodies are subject to a separate external audit process.</li> </ul>
<p>10. Are you aware of any entries made in the accounting records that you believe, or suspect are false or intentionally misleading?</p>	<p>No, I am not aware of any entries in the accounting records of this nature. The Council applies a detailed three stage quality assurance process, which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.</p>
<p>11. Are there particular balances in the accounts where fraud is more likely to occur?</p>	<p>The balances of Accounts Payable (AP), Accounts Receivable and Fixed Assets were reviewed twice in 2020/21 as part of the yearly FFS programme of audits. The systems for AP are exposed to the potential risk of bank mandate fraud, whereby a "fraudster" contacts the Council to inform them that their bank details have changed, in an attempt to persuade the Council to make the payment to the erroneous account.</p> <p>Colleagues in the AP service and Procurement team are aware off these risks and apply manual checks to mitigate them.</p>
<p>12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>The three stage Quality Assurance process ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>

Question	Response
<p>13. Could a false accounting entry escape detection? If so, how?</p>	<p>This is unlikely given the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk that management is unaware of that there is some potential false accounting occurring.</p> <p>An added control in this area is the review by the external audit team who provide added assurance for transactions which are in excess of the materiality value.</p>
<p>14. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>Revenue for Sundry Debtors, Council Tax and Business Rates is collected by the Council's Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the Fundamental Financial Systems audits. These audits include transactions processed by the relevant computer (IT) system.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all collection authorities.</p>
<p>15. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets.</p> <p>Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by managers prior to finalisation.</p>
<p>16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to myself or to colleagues to meet financial or operating targets. Monthly budget monitoring is conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported via the Council's "Corvu" reporting system,</p>

Question	Response
	and results are reviewed by managers prior to finalisation.
<p>17. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council intranet includes the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct, Section 12, sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Assistant Director Corporate Governance and Strategic Financial Management arranged for in-house training of colleagues in the A&amp;CF Team around the Bribery Act 2010, and works in conjunction with Legal colleagues, where appropriate.</p> <p>As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019.</p>

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## **Report to Audit Committee**

### **Charged with Governance - Management Processes and Arrangements**

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Anne Ryans, Director of Finance

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

**Ext.** 4783

**10 June 2021**

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### **Reason for Decision**

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

### **Executive Summary**

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

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

Mazars has sent the Chair of the Audit Committee a questionnaire setting out their inquiries of TCWG. The questionnaire and the Chair of the Audit Committee's proposed responses are set in the attachment.

### **Recommendations**

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

Chair of the Audit Committee  
Oldham Metropolitan Borough Council  
Civic Centre  
Oldham  
OL1 1UT

Direct line 0161 238 9243 / 07909 986776

Email Alastair.Newall@mazars.co.uk

25 May 2021

Dear Chair

## **Audit 2020/21 - understanding those charged with governance processes and arrangements**

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

- How do you exercise oversight of management's processes in relation to:
  - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
  - identifying and responding to risks of fraud in the Council, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Council's code of conduct); and
  - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2020/21? If so, please provide details.
- How do you gain assurance that **all relevant laws and regulations have been complied with?** Are you aware of any instances of non-compliance during 2020/21? If so, please provide details.

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- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details.

In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2020/21.

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

Yours sincerely

**Karen Murray**  
Partner

Question	Management Response
<ul style="list-style-type: none"> <li>• How do you exercise oversight of management's processes in relation to:</li> </ul>	
<ul style="list-style-type: none"> <li>○ undertaking an <b>assessment of the risk that the financial statements may be materially misstated due to fraud or error</b> (including the nature, extent and frequency of these assessments);</li> </ul>	<p>In my role as Vice Chair of the Audit Committee, I can advise that the Director of Finance provides regular updates to the Audit Committee on matters relating to the production of the Statement of Accounts. Arrangements are in place for staff within the Finance Team to attend appropriate training courses so that they have up-to-date technical knowledge and skills. The Council has in place a robust quality assurance system to review the accuracy and quality of its accounts. This includes checks to ensure the financial statements are correct and are supported by detailed transactions.</p> <p>This is supported by the review of fundamental financial systems (FFS), which are audited by the Internal Audit function in two stages each year. These audits include a follow up of previously agreed actions. The findings arising from the financial audits are reported to the Audit Committee on a regular basis and updates are provided against specific areas and/or systems as requested by the Audit Committee.</p> <p>The detailed audit programme, for each financial system, reflects the risk of fraud and error and are discussed with the Council's External Auditors, who also review the work completed. This review contributes to the assessment of the risk of material misstatement.</p> <p>The Annual Report from the Assistant Director of Corporate Governance and Strategic Financial Management (who fulfils the role of the Head of Audit at Oldham Council) gives an opinion on the overall control environment adding to the assurance the underlying processes for processing transactions are appropriate and this includes the conclusions from the audit reviews of the financial systems.</p> <p>An agenda item for the 10 June 2021 Audit Committee Meeting is discussing training for Members.</p> <p>2020/21 was a unique year in that all meetings of the Committee were held remotely. The unusual circumstances disrupted plans for Members training.</p>
<ul style="list-style-type: none"> <li>○ identifying and responding to risks of fraud in the Council,</li> </ul>	<p>The Audit and Counter Fraud (A&amp;CF) Team identifies and responds to the risk of fraud via the on-going review of the A&amp;CF Plan. This is an</p>

Question	Management Response
<p>including any specific <b>risks of fraud</b> which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;</p>	<p>annual plan based on strategic audit needs assessment, the Fraud Response Plan, and the Fraud and Loss Risk Assessment.</p> <p>This includes the risk of fraud identified by the National Audit Office (NAO) Fraud Advisory Panel, the CIPFA Fighting Fraud and Corruption Locally guidance and the Cabinet Office in their role as lead for the National Fraud Initiative (NFI).</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management ensures that the risk of fraud is highlighted to the Audit Committee in the regular updates reported against the Annual Governance Statement (AGS) and via the service updates submitted to the Audit Committee.</p> <p>In respect of the grants administered to support third parties throughout the pandemic regular updates have been reported to the Committee throughout the financial year.</p>
<ul style="list-style-type: none"> <li>○ <b>communicate to employees its view on business practice and ethical behaviour</b> (for example by updating, communicating and monitoring against the Council's code of conduct); and</li> </ul>	<p>The Council's Staff Code of Conduct and its appendices set out the standards expected around a range of matters, including the "Nolan Principles Standards of Public Life", "Gifts and Hospitality", "Disclosure of Information", "Relationships", "Contractors" and "Behaviour during Tendering".</p> <p>The Council's Code of Conduct is available via the Council's Intranet and is included as part of the Council's induction training. The A&amp;CF Team delivers training, which incorporates reference to this guidance.</p> <p>The Members Code of Conduct sets out the standards expected from elected Members.</p>
<ul style="list-style-type: none"> <li>○ communicate to you the processes for <b>identifying and responding to fraud or error</b>.</li> </ul>	<p>As Vice Chair of the Audit Committee, I can advise that fraud risks and issues are reported by the Assistant Director of Corporate Governance and Strategic Financial Management in the A&amp;CF Plan, the Fraud and Loss Risk Assessment and via regular specific reporting; e.g. update against specific risks in the Council's Annual Governance Statement (AGS).</p> <p>The suite of updated Counter Fraud policies was presented to, reviewed by and approved by the Council's Audit Committee on 12 September 2019. A specific policy to deal with fraud on Business Grants was agreed by the Committee at its meeting on 4 June 2020.</p>

Question	Management Response
	<p>Ad hoc matters requiring a report to the Audit Committee are also prepared by the Assistant Director of Corporate Governance and Strategic Financial Management at the appropriate time.</p> <p>The AGS identifies the risks linked into the Transparency Agenda, and the Assistant Director of Corporate Governance and Strategic Financial Management provides regular updates to the matter reported in the AGS.</p> <p>I receive briefings on a one to one basis from the Assistant Director of Corporate Governance and Strategic Financial Management on matters as required.</p>
<ul style="list-style-type: none"> <li>How do you <b>oversee management processes</b> for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2019/20? If so, please provide details.</li> </ul>	<p>The A&amp;CF Plan as reported to the Audit Committee includes reviews of management process and controls. The conclusions and actions arising from the audits in the plan, and any ad hoc reviews, are reported to the Audit Committee regularly as part of the summary of Internal Control Matters in each Directorate/service areas.</p> <p>A&amp;CF agree recommendations with managers to improve internal control, which are routinely subject to follow-up. The 2020/21 Annual Report by the Assistant Director of Corporate Governance and Strategic Financial Management sets out his opinion for 2020/21 to reassure the Audit Committee.</p>
<ul style="list-style-type: none"> <li>How do you gain assurance that <b>all relevant laws and regulations have been complied with</b>? Are you aware of any instances of non-compliance during 2019/20? If so, please provide details</li> </ul>	<p>In accordance with the appropriate financial thresholds/scheme of delegation, all reports to the Council's Committees include formal comments from appropriate statutory officers. This includes the "Risk Assessment" comments, which are provided by the Assistant Director of Corporate Governance and Strategic Financial Management.</p> <p>At the Audit level, Internal Audit will review whether the Council has arrangements in place to identify the necessary legal framework and that steps have been taken to consider the matters arising.</p> <p>No reports were subject to Call In by the Scrutiny Committee during 2020/21.</p>
<ul style="list-style-type: none"> <li>Are you aware of any <b>actual or potential litigation or claims that would affect the financial statements</b>? If so, please provide details.</li> </ul>	<p>I am assured by the Assistant Director of Corporate Governance and Strategic Financial Management that all appropriate matters have been incorporated into the production and review of the AGS.</p> <p>As at 31 March 2021, there is no specific matter which is required to be reported upon in the accounts. The perceived risks in the financial year</p>

Question	Management Response
	<p>2020/21 have been considered and appropriately reported to the Audit Committee.</p>
<ul style="list-style-type: none"> <li>Have you carried out a <b>preliminary assessment of the going concern assumption</b> and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details.</li> </ul>	<p>By compliance with professional standards, the Director of Finance prepares a balanced budget at full Council for approval and prepares the Council's financial statements on the going concern basis of accounting. This confirms the ability of a business to meet its financial obligations when they fall due.</p> <p>The 2020/21 Draft Statement of Accounts sets out that the financial statements are prepared on a going concern basis. Additional reports such as the Reserves Policy are submitted to this Committee to provide additional assurance on the going concern basis.</p> <p>Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.</p> <p>In my role of as the Vice Chair of the Audit Committee I liaise closely with the Assistant Director of Corporate Governance and Strategic Financial Management and the Director of Finance and can therefore receive specific briefings on the overall financial position of the Council and can request detailed information on any issues should I have any concerns.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2019 – 31 March 2020 (<i>if 'yes', please provide details</i>)?</p>	<p>No. During this period of time (excluding business grants administered by the Council), there has been no significant (i.e. greater than £10k) corporate (in-house) fraud reported to me committed by internal staff, which has required investigation.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>As at 31 March 2021 all instances of suspected fraud within the organisation I am assured have been investigated. It has not been practical to have face to face interviews due to the pandemic.</p> <p>The Council is a complex multidisciplinary organisation so as Vice-Chair of the Audit Committee I am aware that there is a risk that Officers are unaware of some fraud occurring that they would otherwise bring to my attention.</p> <p>An added assurance that appropriate controls are in place is the opinion given in the Annual Report of the Assistant Director of Corporate Governance and Strategic Financial Management. The routine reports to the Audit Committee on progress against the Plan set out the position on fraud uncovered.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Fraud Risks are captured, reported and monitored by the Audit Committee via the Fraud and Loss Risk Assessment, the Fraud Response Plan, and fraud risks are assessed for each audit review.</p>
<p>4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p>	<p>Yes. In all financial systems for 2020/21, officers have provided assurance that there are agreed processes to review transactions.</p> <p>There are issues identified in the operation of some systems which have been highlighted to the Audit Committee and included in the Council's Annual Governance Statement (AGS).</p>

Question	Response
	<p>Where appropriate, extra audit testing is conducted by Internal and External Audit to provide extra assurance around known issues.</p> <p>Detailed Action Plans are in place, subject to regular follow-up to improve processes for issues included in the AGS.</p>
<p>5. If not where are the risk areas?</p>	<p>As above, potential risks and issues are reported in the Council's AGS and updates are reported to the Audit Committee on a regular basis. Risks are assessed annually and as part of detailed audit planning.</p> <p>The Council is experiencing significant change in social care and the on-going integration with health partners. The Council continues to track the potential risks around these service areas, as this is clearly an area of management focus.</p>
<p>6. How do you encourage staff to report their concerns about fraud?</p>	<p>The Council's Whistleblowing Policy sets out the arrangements for staff to anonymously report potential concerns and it is included in the Council's Staff Code of Conduct. Following a risk assessment process, the A&amp;CF Team will investigate allegations discretely, agree a course of action and agree recommendations. Where significant issues arise, External Audit will be briefed.</p>
<p>7. What concerns about fraud are staff expected to report?</p>	<p>The Whistleblowing Policy includes the reporting by employees of suspected misconduct, illegal acts or failure to act within the Council. The aim of the Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.</p>
<p>8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p>	<p>None are recorded. Contract Procedure Rules set out the procedures for procurement and this service is subject to regular review by Internal Audit. No significant issues which will impact the financial statements have been identified, I am assured, in 2020/21.</p>
<p>9. How do you mitigate the risks associated with fraud related to</p>	<p>As above, the Council's Contract Procedure Rules set out the procedures for Procurement and this service is subject</p>

Question	Response
<p>related party relationships and transactions?</p>	<p>to review by Internal Audit. Other policies (and internal controls) to mitigate this risk include:</p> <ul style="list-style-type: none"> <li>• Members' Code of Conduct.</li> <li>• Members' Register of Interests in line with the 2011 Localism Act.</li> <li>• Member's Allowances' are disclosed in Notes to the Council's Statement of Accounts.</li> <li>• Officers' Code of Conduct requires staff to record Gifts and Hospitality in accordance with the Code of Conduct.</li> <li>• The Council operates a Standards Committee.</li> <li>• Levy Bodies are subject to a separate external audit process.</li> </ul>
<p>10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?</p>	<p>No, I am not aware of any entries in the accounting records of this nature. I am assured, supported by past External Audit feedback that the Finance Service applies a detailed three stage quality assurance process, which incorporates independent/ "fresh eye" review prior to submitting its draft Accounts to the External Auditor.</p>
<p>11. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?</p>	<p>No, I am not aware of any assets, liabilities or transactions that I believe have been improperly included or omitted from the accounts of the organisation.</p> <p>I am assured that the Quality Assurance process in the preparation of the draft financial statements, by the Finance Team, ensures the detailed review of the draft accounts prior to the submission to the External Auditors.</p>
<p>12. Could a false accounting entry escape detection? If so, how?</p>	<p>This is considered to be unlikely given the internal and external assurance provided to the Audit Committee of the controls in place for processing transactions.</p> <p>The Council is a complex multidisciplinary organisation so there is a risk of the potential that management is unaware of some false accounting occurring.</p>

Question	Response
	<p>An added assurance in this area is the review of external audit who provide added assurance for transactions which are in excess of the materiality value.</p>
<p>13. Are there any external fraud risk factors, such as collection of revenues?</p>	<p>The revenue for Sundry Debtors, Council Tax and Business Rates is collected by the Council's Strategic Partner. Transactions are sample reviewed by Internal Audit as part of the fundamental financial systems audits. These audits include transactions processed by the relevant computer (IT) system.</p> <p>The external frauds in this area have become more sophisticated as fraudsters use information obtained to test the systems of all collection authorities.</p>
<p>14. Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>No, I am not aware of any inappropriate organisational or management pressure being applied, or incentives offered, to meet financial or operating targets. Regular budget monitoring is reported to Cabinet and feedback to the Audit Committee indicates reconciliations of key accounts are conducted monthly, and significant variances are investigated.</p> <p>The Council's Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by the Overview and Scrutiny Performance and Value for Money Select Committee.</p>
<p>15. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No, as above, I am not aware of any inappropriate organisational or management pressure being applied, to meet financial or operating targets. The Director of Finance arranges for monthly budget monitoring to be conducted with service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated.</p> <p>As above, Corporate Performance Indicators are reported via the Council's "Corvu" reporting system, and results are reviewed by the Overview and Scrutiny Performance and Value for Money Select Committee.</p>

Question	Response
<p>16. What arrangements has the Council put in place in response to the Bribery Act 2010?</p>	<p>The Council intranet includes the responsibilities around the Bribery Act 2010 in the Fraud Response Plan. The Staff Code of Conduct, Section 12, sets out the responsibilities for staff re: Bribery and Corruption.</p> <p>The Assistant Director of Corporate Governance and Strategic Financial Management arranged for in-house training of colleagues in the A&amp;CF Team around the Bribery Act 2010, and works in conjunction with Legal colleagues, where appropriate.</p> <p>As part of the regular review of the suite of Counter Fraud policies the “Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan” was reviewed and revised and approved by the Council’s Audit Committee on 12 September 2019.</p> <p>As Vice Chair of the Audit Committee, I have had appropriate guidance from Officers on this matter.</p>



## Report to Audit Committee

# Local Code of Corporate Governance

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

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

**Ext. 4783**

**10 June 2021**

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## Reason for Decision

The purpose of this report is to propose a refreshed Local Code of Corporate Governance for Oldham Council.

## Executive Summary

The Council is required to produce a Local Code of Corporate Governance, which is subject to review every two years or when there have been changes to Governance Standards. Oldham Council's Local Code of Corporate Governance was last reviewed on 20 January 2020.

A refreshed Local Code of Corporate Governance is presented for review at Appendix 1.

## Recommendations

The Committee notes the refreshed Local Code of Corporate Governance for Oldham Council.

**Local Code of Corporate Governance**

1.1 In order to assist with complying with the Accounts and Audit Regulations 2015 which requires the annual production of an Annual Governance Statement, the Council is required to produce a Local Code of Corporate Governance.

1.2 This Code is to be reviewed every two years or sooner if there are changes to the Governance Standards. It was last reviewed on 20 January 2020. The Code reflects the seven principles of the Governance Framework introduced in 2016/17.

1.3 The Assistant Director of Corporate Governance and Strategic Financial Management, in conjunction with the Director of Finance will review the code on a regular basis whilst also monitoring the progress made by the Authority on complying with its policies and procedures to ensure best practice.

**2 Options/Alternatives**

2.1 The Audit Committee can either:

- a) Consider and accept the refreshed Local Code of Corporate Governance.
- b) Consider but not accept the refreshed Local Code of Corporate Governance and suggest an alternative approval.

**3 Preferred Option**

3.1 The preferred option is that the Audit Committee accepts and notes the refreshed Local Code of Corporate Governance for Oldham Council.

**4 Consultation**

4.1 N/A.

**5 Financial Implications**

5.1 N/A.

**6 Legal Services Comments**

6.1 N/A.

**7 Cooperative Agenda**

7.1 N/A.

**8 Human Resources Comments**

8.1 N/A.

**9 Risk Assessments**

9.1 N/A.

10 **IT Implications**

10.1 N/A.

11 **Property Implications**

11.1 N/A.

12 **Procurement Implications**

12.1 N/A.

13 **Environmental and Health & Safety Implications**

13.1 N/A.

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

14.1 N/A.

15 **Equality Impact Assessment Completed?**

15.1 N/A.

16 **Key Decision**

16.1 N/A.

17 **Forward Plan Reference**

17.1 N/A.

18 **Background Papers**

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

File Ref: Background papers are included at Appendix 1  
Officer Name: Mark Stenson  
Contact No: Extension 4783

19 **Appendices**

19.1 Appendix 1 Local Code of Corporate Governance.

<b>LOCAL CODE OF CORPORATE GOVERNANCE</b>
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## 1.0 INTRODUCTION

1.1 The term Corporate Governance refers to the *system “by which the Council directs and controls its functions and relates to the community it serves”*. It is therefore the framework of policies, systems, procedures, and structures that together, determine and control the way in which the Council manages its business, determines its strategies and objectives and sets about delivering its services to meet those objectives for the greater good of the community of the 7 District Executive areas within Oldham.

1.2 The basic principles of good corporate governance as set out in the Corporate Governance Code requires the Council to:

- carry out its functions in a way that is completely open and inclusive of all sectors of the community;
- demonstrate the utmost integrity in all its dealings,
- be fully accountable to the public it serves; and
- ensure its emergency decision-making throughout the pandemic or any emergency event is consistent with good governance of public funds.

The Council supports these principles fully. This Code is a public statement of the commitment to these principles and sets out clearly the way in which the Council will meet that commitment including its operation during the pandemic.

1.3 In order to follow Best Practice in Corporate Governance, the methodology adopted by the Authority has been to base the approach on the following:

- Complying with the guidance published in the Good Governance Standards for Public Services, which sets out the key principles which need to be adopted by the Council.
- Following advice on Delivering Good Governance in Local Government as developed by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives (CIPFA/SOLACE) to integrate the principles of the Good Governance Standard into the public sector.
- Implementing a suite of Counter Fraud Policies that reflect the Council's zero tolerance to fraud. This includes the production of a Fraud and Loss Risk Assessment to inform future pro-active work to prevent future loss.
- Setting up and maintaining appropriate networks within the Council to consider key matters on Corporate Governance. These networks include key officers from Legal, Strategy and Performance, Directorates and People Services as well as Finance.
- Ensuring appropriate attendance at meetings and working groups set up in response to the pandemic by Regulatory Officers to ensure transparent decision making.

1.4 The main body of this Code is therefore structured around the seven key principles of the revised CIPFA/SOLACE publication Delivering Good Governance in Local Government and is designed to reflect the assurance gathering process for the Annual Governance Statement which is produced to support the Statement of Accounts. Each

commitment covers a particular area of the Council's responsibilities in terms of corporate governance. These principles are:

- Behaving with integrity, demonstrating strong commitment to ethical value, and respecting the law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcome.
- Developing the entity's capacity including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The means by which the Council will meet and demonstrate its commitment to good corporate governance in relation to that particular principle is exemplified in **Section 2** below.

- 1.5 In order to assist with complying with the Accounts and Audit (Coronavirus) Amendment Regulations 2020 which require the annual production of an Annual Governance Statement, this Code will be reviewed as a minimum every two years or when there are changes to the Governance Standards. Also, the Assistant Director of Corporate Governance and Strategic Financial Management in conjunction with the Director of Finance will take an overview of the Code on a regular basis and monitor the progress made by the Authority on compliance by reviewing that the policies, procedures and working practices reflect best practice.
- 1.6 Further information about the Authority's corporate governance processes, are available from the Assistant Director of Corporate Governance and Strategic Financial Management by email at [mark.stenson@oldham.gov.uk](mailto:mark.stenson@oldham.gov.uk)

## 2.0 THE SEVEN KEY PRINCIPLES

### 2.1 **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

Both Officers and Members are public servants and operate a culture where acting in the public interest is a primary objective. To do this, the Council sets out clear statements about the roles and responsibilities of Members and senior officers. These clear statements are supported by appropriate policies and protocols which are updated on a regular basis.

The Chief Executive supported by Senior Officers is responsible for all aspects of operational management and demonstrates sound corporate governance by ensuring:

- A constitution is maintained and updated which includes Contract and Finance Procedure Rules which set out the commitment to sustainability and social value. This sets the standards expected of third party suppliers to the Council.
- An appropriate Scheme of Delegation is maintained that sets out the roles of all Cabinet Members and Officers.
- Records are maintained of decisions taken which are supported by evidence to justify the decisions made.

- Officers at a senior level are given the appropriate statutory responsibilities for finance (section 151 role), education, children's services, adults social care, public health and monitoring officer responsibilities (legal).
- An appropriate suite of anti-fraud and corruption policies including whistleblowing are in place. This supports human resource policies to ensure inappropriate behaviour is subject to review.
- A Standards Committee is established to consider matters of compliance with the Members Code of Conduct.
- As a Co-Operative Council, every effort is made to assist Oldham residents to be more self-sufficient as this results in a more sustainable Local Authority. The key objectives are set out in the Corporate Plan and the COVID Recovery Plan.
- A regular review of key partners is reported to Senior Officers to ensure the Council's values are represented in operations.
- A complaints system is in place which enables matters to be raised by the public on both organisational and operational matters.
- A reserves policy is prepared and regularly reviewed to support the Council's Co-operative values and continued financial resilience.

The Audit Committee is an essential part of the Authority in providing scrutiny of financial affairs.

## 2.2 Ensuring openness and comprehensive stakeholder engagement

In order to discharge their duties, it is important that both Members and officers are open about both remuneration and how the Council spends its resources. The Council publishes its key decisions in line with the Constitution. In order to demonstrate transparency, it publishes all transactions with expenditure of £500 and over, including those where it acts for Government Departments as an Agent as per the Local Government Transparency Code and its Pay Policy Statement. Key meetings such as Council are streamed live to enable local citizens to review decisions as and when they are made.

One way that the Council demonstrates it is working coherently is by operating management arrangements that show it is improving the services it delivers and achieving best value. Independent Scrutiny is undertaken by a Scrutiny Board, the Overview and Scrutiny Performance and Value for Money Select Committee and Audit and Standards Committees. Both internal and external audit officers have informal access to the Audit Committee before each meeting. The Standards Committee is supported by independent members who review the investigations into matters of conduct. Where appropriate, investigations are reported in detail to full Council.

An effective Local Code of Corporate Governance has been produced because it supports the organisation's vision of what it wants to achieve. It is an integral part of the Council demonstrating to its key stakeholders in its agreed Corporate Plan/ COVID Recovery Plan that its underlying policies and procedures are sound. It is supported by a communications strategy to ensure residents views are reflected.

Some services are delivered by working in partnership with a number of third parties. Both Members and officers work in a number of diverse partnership arrangements. It is important that they are aware they represent the Council and that each partnership has in place appropriate Corporate Governance arrangements which work and fit in with the Corporate Vision of the organisation and also satisfy the requirements of the Council. The Council has developed a Partnership Dashboard which has been reported to the Audit Committee during 2020 to assess its overall risk profile from existing partnerships.

There is extensive consultation on key policies and developments to ensure the aims of the Council support their environmental priorities within a defined financial envelope.

Key policies such as the Co-operative vision are only developed following consultation with both the public and key public bodies such as the levying bodies.

The Council is a key Member of the Greater Manchester Combined Authority (GMCA) and has worked in partnership with the other Greater Manchester District Councils to attract extra investment which benefits the wider area than just that covered by the Council. In terms of the Greater Manchester Pension Fund (GMPF), it has worked in partnership to deliver long term savings by better targeted investment.

The budget process balances the operational needs of the Council given the pressures on certain operational areas with consideration of affordability for local Council Taxpayers. This future vision is set out in the Medium-Term Financial Strategy (MTFS) which is subject to regular review.

### **2.3 Defining outcomes in terms of sustainable economic, social and environmental benefits**

The Council's Corporate Plan, supported by the COVID Recovery Plan, sets out how the Council will deliver its agreed Co-Operative values. It presents the long-term sustainable vision where residents do as much as possible to assist themselves with the Council acting as a provider of last resort. It determines how the Council operates in partnership with its citizens, Elected Members, other public bodies (on integrating services to minimise waste) and key partners such as the constituent Districts who have a joint interest in the GMCA.

In order to deliver its core business, the Council has both a Corporate Governance Framework and a Risk Management Framework which is subject to independent scrutiny by both Senior Officers and the Audit Committee. This is demonstrated by key decisions including details of mitigations for risks. The effective use of resources is reflected in the agreed budget and Medium-Term Financial Strategy which takes account of the views of the budget consultation. Approved budget expenditure is incurred in accordance with the constitution which sets out the priorities of the Authority in relation to Co-Operative Values which in turn reflect the importance of both Social Value and Sustainability.

In order to improve future outcomes for service users there is partnership working at either the locality level (health and social care) or through GMCA (children and regeneration). This has involved the Council considering the risk it is prepared to underwrite to guarantee future investment both locally and at the conurbation level. Fair access to service is underpinned by the production of equality impact assessments which form key elements of the decision-making process when the Council is considering budget options.

### **2.4 Determining the interventions necessary to optimise the achievement of the intended outcome**

To ensure that Council decisions are subject to appropriate review the following has been developed:

- A Cabinet Structure with appropriate amendments made to responsibility on an annual basis, with monthly meetings reflecting the need to take proper political and operational decisions. This is supported by appropriate officer support and training.

- The two regularity Committees (Audit and Standards) which follow best practice guidance and are constituted to have a proportion of Independent Members who are non-political and are recruited on their skills which enable them to carry out the role.
- An agreed format for the delivery of budget reductions which is linked into both the Medium-Term Financial Strategy and the detailed budget setting process. This involves considering the feedback from the public and staff consultation which can involve amending initial proposals.
- A performance monitoring system which tracks progress against the Council's objectives. This includes the production of business plans at Directorate level with appropriate Service Risk Registers and independent scrutiny where objectives are not met.
- A costed Corporate Plan setting out the Co-Operative objectives of the Council.
- Appropriate partnership governance monitoring as evidenced by the Partnership Dashboard reported to the Audit Committee.
- Appropriate and realistic social value in commissioning including ensuring where possible outside bodies make fair payments to staff.
- Flexible working arrangements to enable the Council to respond to unplanned events as evidenced throughout the 2020/21 financial year in response to the pandemic and support its continued operation of Co-operative and Social Values.

## 2.5 **Developing the entity's capacity including the capability of its leadership and the individuals within it**

All new Members and officers have a specific induction programme which is kept under regular review and tailored when required (there were no elections in the financial year 2020/2021 due to the pandemic). For Members, the Council has enhanced an existing development programme, which provides regular updates on new issues. This programme supports Councillors in a modern environment in whatever role they have in the Council. In respect of the specialist regulatory committees of both Audit and Standards, specialist training for members is arranged by the Authority. The structure of responsibility at officer and Member level is set out in the scheme of delegation within the Constitution.

All staff are subject to an annual appraisal which allows both staff and their managers to identify staff needs and produce annual training plans (although this process was suspended in 2020/21 due to the pressures arising from the pandemic). This has been supported by the Team Oldham Workforce Strategy 2020-2023. The introduction of a new integrated HR/Payroll system during the pandemic will ensure key personnel information is better recorded and processes for both managers and staff have been improved whilst rationalising two payroll systems into one.

All jobs within the Council have job descriptions supported by person specifications which enable staff to carry out their roles. These are consistent with the principles set out by the National Joint Council.

The Council's People Strategy and Corporate Plan/ COVID Recovery Plan are reviewed on a regular basis. To ensure it is achieved, it is supported by a Performance Monitoring System which includes a training needs assessment, and which pre pandemic reported on a quarterly basis. The Council is undertaking a capacity building programme recognising the risks of downsizing which are resulting from continued budget pressures. As the Council returns to non-emergency working these processes will be reinstated.

The Audit Committee is essential for independent scrutiny reviewing reports from both internal and external auditors. This includes the overall opinion of the internal control environment from internal audit and the audit findings report from external auditor.

To maintain the health and wellbeing of employees there is a Health and Safety Working Group. In order for concerns to be raised both internally and externally there are policies covering grievance and whistleblowing. In the financial year 2020/21 extra support has been provided to the workforce to reflect the challenges presented by increased levels of home working all throughout the year.

Partnerships and their effectiveness are reviewed by the Audit Committee via the Partnership Dashboard with more detailed scrutiny as and when needed. This has included learning the lessons from governance failings reported in the public domain in other Public Sector organisations.

## **2.6 Managing risks and performance through robust internal control and strong public management**

The Council has an embedded Risk Management Strategy and Framework which is subject to regular review by both Senior Officers and detailed scrutiny from the Audit Committee.

The reports submitted to the Audit Committee as routine business show publicly how the Authority demonstrates it has a robust system of internal control.

The Performance Framework includes regular reports on progress to achieving the Corporate Objectives of the Council. Data is collated monthly and reported on a quarterly basis to both the Cabinet and Scrutiny Committee. Where performance is below the agreed standard then presentations supported by reports are made to the Scrutiny Committee setting out the plans to achieve the agreed standard.

The budget is subject to regular review by the Cabinet Member responsible for Finance supported by the Director of Finance. It is supported by a costed Medium-Term Financial Strategy, a detailed Capital Programme and Strategy, and Treasury Management Strategy setting out the financing requirements of the Council. A statement on the robustness of the budget is prepared by the Director of Finance (Section 151 Officer) and this is supported by a reserves policy which underpins the Long-Term resilience of the Council.

The data security standards required by the Council are monitored under an arrangement with a key partner who provides ICT services. These are supported by appropriate Information Security protocols and an officer group which meets quarterly to consider data matters. Data security is subject to external scrutiny around the need to comply with national standards such as those required on the Public Services Network (PSN).

## **2.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability**

All meetings of the Council, and Cabinet and also the Planning, Audit and Licensing Committees are held in public and the only matters considered in private are those matters, which, after advice with key personnel such as the Monitoring Officer, are deemed to be confidential with regard to relevant legislation.

The work on public stewardship culminates in the production of the Annual Report of the Assistant Director of Head of Corporate Governance and Strategic Financial Management on the overall internal control environment. The Internal Audit Service works to the Public Sector Internal Audit Standards. The financial year 2020/21 was a challenge in that only 8 months of planned internal audit work could be undertaken due to the requirement of the Internal Audit team to undertake duties to support the Council's response to COVID. As a result, the internal audit work offers more limited assurance. Going forward, it is planned that the work will cover a full 12 months.

The Statement of Final Accounts is produced in accordance with appropriate professional standards which includes the relevant performance information and feedback from other independent assessments. The Accounts are audited by the end of September which is consistent with the Accounts and Audit Regulations and in line with the present statutory framework. A draft set of accounts is presented to the Audit Committee in June to enable additional scrutiny to take place of this important document.

### **3.0 KEY ACTIONS WHICH SUPPORT GOOD CORPORATE GOVERNANCE**

#### **3.1 Production of an Annual Governance Statement**

The Council, to support its requirements under Good Governance, will produce an Annual Governance Statement. This Statement will follow best practice guidance and progress on monitoring action against any issues identified in the Statement will be the responsibility of the Assistant Director of Corporate Governance and Strategic Financial Management at officer level. It will also be subject to independent review by the Audit Committee at Member level when the Final Accounts are considered. This Statement will be subject to review by the external auditor as part of the routine external audit undertaken on the accounts.

#### **3.2 Reports to Members**

The Council's Audit Committee, which is independent of the Authority, receives quarterly reports on the Annual Governance Statement including potential emerging issues. A separate report will be produced on the Statement itself at the year-end. In addition, regular reports on partnerships are produced for the Audit Committee by the Partnership Dashboard.

#### **3.3 Reducing Fraud**

The Council, to minimise its risk of suffering losses due to fraud, has adopted best practice as set out in recent standards produced on fraud and as a result has in place:

- a strategic approach as set out in its Counter Fraud Strategy to reduce the risk of fraud.
- a culture of zero tolerance to fraud.
- an effective Counter Fraud Framework including Whistleblowing Arrangements for staff, contractors and members of the public.
- a dedicated team to investigate allegations of fraud.
- continued improvement to systems of Internal Control.
- effective partnership working arrangements with third parties.

This is monitored by an effective framework to reduce fraud. The Audit Committee will consider informal updates on the measures the Council is adopting to reduce its risk to fraud and loss.

#### 4.0 FURTHER INFORMATION

4.1 If you have any concerns about the way in which the Authority, its Members, officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) **Chief Executive (Head of Paid Service)**

Dr Carolyn Wilkins OBE  
Chief Executive  
Oldham Metropolitan Borough Council  
PO Box 160,  
Civic Centre  
West Street  
Oldham  
OL1 1UG

(ii) **Director of Finance (Section 151 Officer)**

Anne Ryans  
Director of Finance (S151 Officer)  
Oldham Metropolitan Borough Council  
Level 3,  
Civic Centre  
West Street  
Oldham  
OL1 1UL

(iii) **Monitoring Officer**

Paul Entwistle  
Director of Legal Services /Monitoring Officer  
Oldham Metropolitan Borough Council  
PO Box 33  
Civic Centre  
West Street  
Oldham  
OL1 1UL

(iv) **Assistant Director of Corporate Governance and Strategic Financial Management**

Mark Stenson  
Assistant Director of Corporate Governance and Strategic Financial Management  
Oldham Metropolitan Borough Council  
Level 14  
Civic Centre  
West Street  
Oldham  
OL1 1UH  
Telephone: 0161 770 4783  
Email: [mark.stenson@oldham.gov.uk](mailto:mark.stenson@oldham.gov.uk)

(v) **External Auditor**

Karen Murray  
Mazars LLP  
One St Peters Square  
Manchester  
M2 3DE

**Revised June 2021**



## Report to Audit Committee

# Review of the System of Internal Audit by the Audit Committee

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

**Officer Contact:** Anne Ryans, Director of Finance

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

**Ext.** 4783

**10 June 2021**

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### Reason for Decision

To update Members of the Audit Committee, following the 2020/21 internal assessments of the system for Internal Audit within the Council.

### Executive Summary

The 2020/21 internal assessment of the Corporate Governance team (Internal Audit, Counter Fraud, Risk and Insurance) via the Balanced Scorecard Report concludes that the overall service is good.

The Scorecard has assessed most areas as Green with a few at Amber/Green. However, the following matters are assessed as Amber/ Red:

### Corporate initiatives and Monitoring

- Scorecard 2.8: Corporate Initiatives and Monitoring:

The Amber/ Red assessment relates to the criteria "Payroll System and Adult Social Care has adequate opinion", which reflects the on-going challenges around improving the audit opinion on these Fundamental Financial Systems, which will be included in the future Annual Report by the Chief Internal Auditor.

- Scorecard 2.9: Compliance within Council on Procedure Rules:

This Red/Amber assessment relates to the issue of contract documentation on contracted spend which has been highlighted as an issue in the 2019/20 Annual Governance Statement.

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Some of the issues reported in the Balanced Scorecard are wider internal control issues rather than specific to the System of Internal Audit. However, it is proposed to keep this reporting methodology, as it represents a pragmatic way to provide an overview of the overall control environment of the Council supported by professional best practice.

### **Recommendation**

The Audit Committee notes the self-assessment of the Assistant Director of Corporate Governance and Strategic Financial Management that the overall system of Internal Audit has been fit for purpose in 2020/21.

## Review of the System of Internal Audit by the Audit Committee

### 1 Background

- 1.1 The Accounts and Audit Regulations and Public Sector Internal Audit Standards clarify that the body charged with governance, which for Oldham Council is the Audit Committee, should undertake an annual review of the effectiveness of its system of Internal Audit.
- 1.2 As previous years, the Assistant Director of Corporate Governance and Strategic Financial Management has submitted a report to this Audit Committee based on the review of the Internal Audit services against criteria set out in the “Balanced Scorecard” methodology. The Assistant Director of Corporate Governance and Strategic Financial Management bases this internal assessment on the criteria set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 This report sets out the findings from the internal self-assessment by the Assistant Director of Corporate Governance and Strategic Financial Management.

### 2. Current Position – Internal Assessment

- 2.1 **Appendix 1** details the internal self-assessment for 2020/21 undertaken by the Assistant Director of Corporate Governance and Strategic Financial Management, the conclusions of which are reported using the Balanced Scorecard.
- 2.2 The Balanced Scorecard has been developed to give this Committee the assurance on a number of matters, that the service supervised by the Assistant Director of Corporate Governance and Strategic Financial Management is operating effectively.
- 2.3 The Team's performance against the following key criteria is:
  - **Internal Audit (Scorecard Section 1):** In line with the CIPFA external assessment, the performance of the system for Internal Audit is assessed as “Green”. The team continue to work in professional collaboration with key service managers where additional support is required and has also provided proactive professional advice where required. Three areas assessed as Amber/ Green are:
    - liaison with Directorates and it is planned to improve this in 2020/21 by regular attendance at Directorate Management Team Meetings.
    - the completion of the eight-month Internal Audit Plan 2020/21. Due to the pandemic and demand pressures faced by the service in supporting the Council’s response to COVID-19, the progress in completing the plan was limited.
    - Use of automated software. This has been procured but due to pressures related to the COVID response, it has not been possible to take this forward to the timeline anticipated. This will be a priority in 2021/22.
  - **Corporate Initiatives and Monitoring (Scorecard Section 2):** The overall assessment is green, and improvements were made during the financial year 2020/21 which included a review of the Finance Procedure Rules. There are two items assessed as Amber/ Red and the first relates to the criteria “improvements on the Payroll System and Adult Social Care systems” , which reflects the on-going challenges around improving the audit opinion on this Fundamental Financial System, which have been reported to this Committee several times. The second

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relates to the issue of contract documentation on contracted spend which has been highlighted as an issue since the 2019/20 Annual Governance Statement. The overall assessment of Amber/ Green for the control environment reflects the need to improve overall payroll opinion.

- **Risk Management and Insurance (Scorecard Section 3):** The overall assessment is green. Improvements have been taken forward since the approval by Cabinet of the refreshed Risk Management Framework and Strategy in December 2019. However, progress was more limited in 2020/21 than originally planned due to the pandemic.
- **Counter Fraud and Staffing Issues (Scorecard Section 4):** Overall the skills of the team are assessed as green and demonstrate effectiveness. These skills have continued to develop in 2020/21. In line with the CIPFA assessment, the team operates in line with PSIAS. There are two items classed as Amber/ Green. The first relates to the Transparency Agenda which is an issue identified in the Annual Governance Statement. Whilst the approach adopted by the Council minimises its risks, the publication of payment data exposes all local authorities to the risk of fraud. The second assessment relates to developing training which is a pro-active issue requiring development which it was not possible to progress in 2020/21.

### 3 Conclusions

- 3.1 Following the updated 2020/21 internal assessment by the Assistant Director of Corporate Governance and Strategic Financial Management, the overall system of Internal Audit remains good in 2020/21. Firm plans are in place to continue this progress in 2021/22.

### 4 Options/Alternatives

- 4.1 The Audit Committee consider this report in conjunction with the 2020/21 Annual Report and the Annual Governance Statement.
- 4.2 The Audit Committee suggests an alternative internal assessment methodology.

### 5 Preferred Option

- 5.1 The preferred option is that the Audit Committee accepts and notes the Review of the System of Internal Audit.

### 6 Consultation

- 6.1 N/A.

### 7 Financial Implications

- 7.1 N/A.

### 8 Legal Services Comments

- 8.1 N/A.

### 9 Cooperative Agenda

- 9.1 N/A.

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**10 Human Resources Comments**

10.1 N/A

**11 Risk Assessments**

11.1 Should the Audit Committee not consider a report reviewing the system of Internal Audit on an annual basis then it could be argued it has not complied with the Accounts and Audit Regulations (Mark Stenson)

**12 IT Implications**

12.1 N/A

**13 Property Implications**

13.1 N/A

**14 Procurement Implications**

14.1 N/A

**15 Environmental and Health & Safety Implications**

15.1 N/A

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

16.1 N/A

**17 Equality Impact Assessment Completed?**

17.1 None Required

**18 Key Decision**

18.1 N/A

**19 Forward Plan Reference**

19.1 N/A

**20 Background Papers**

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

File Ref:	Background papers are included in Appendix 1
Officer Name:	Mark Stenson
Contact No:	0161 770 4783

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## 21 Appendices

21.1 The following Appendices are available to support this Report:

- **Appendix 1:** Oldham Council Corporate Governance: 2020/21 Internal Assessment.

Oldham Council Corporate Governance: 2020/21 Internal Assessment

Oldham Corporate Governance Scorecard Summary 2020-21			
Internal Audit		Risk Components	
1.1	Compliance with International Auditing Standards	G	
1.2	Work on Fundamental Financial Systems	G	
1.3	Reporting to Audit Committee of Internal Control Matters	G	
1.4	Completion of the 2020/21 Internal Audit Plan	A/G	
1.5	Detailed undertaking and reporting of internal audit work	G	
1.6	Relationship with External Audit	G	
1.7	Internal Audit Planning Process	G	
1.8	Liaison with Directorates	A/G	
1.9	Audit Reporting	G	
1.10	Use of Automated Software	A/G	
Corporate Initiatives and Monitoring		Risk Components	
2.1	Corporate Governance Framework incl Annual Governance Statement	G	
2.2	External Audit Fees	G	
2.3	Counter Fraud Policy Framework	G	
2.4	Project Risk Monitoring	G	
2.5	Corporate Risk Management Approach	G	
2.6	Partnership Governance Monitoring	G	
2.7	Finance Procedure Rules fit for purpose	G	
2.8	Payroll and Adult Social Care Systems	A/R	
2.9	Compliance within Council on Procedure Rules	A/R	
2.10	Overall Control environment of Council	A/G	
Risk Management/Insurance		Risk Components	
3.1	Level of Insurance Claims in Council	G	
3.2	Achievement of Insurance Savings	G	
3.3	Insurance incl Renewals Arranged	G	
3.4	Municipal Mutual Insurance	G	
3.5	Development of Financial Information on Insurance	G	
3.6	Risk Management Strategy	A/G	
3.7	Fraud Prevention on Insurance	G	
3.8	Success at Litigation	G	
3.9	Member involvement on Insurance/Risk Management	G	
Counter Fraud and Staffing Issues		Risk Components	
4.1	Level of Fraud Within Council	G	
4.2	Transparency Agenda	A/G	
4.3	Counter Fraud Strategy	G	
4.4	Systems to prevent fraud in 2015/16	G	
4.5	National Fraud Initiative	G	
4.6	Develop training on Internal Control and Risk of Fraud	A/G	
4.7	Staffing Issues	G	
4.8	Mid Year Performance Appraisals	G	
4.9	Equal Opps & Other HR indicators	G	
<b>Key to ratings</b>			
R	Red - Highly problematic - requires urgent and decisive action.		
A/R	Amber/Red - Problematic - requires substantial attention, some aspects need urgent attention		
A/G	Amber/Green - Mixed - aspect(s) require substantial attention, some good		
G	Good – on target, or target already achieved		
W	Objectives where measures not yet agreed		
P	Work in progress, no assessment available.		





## **Report to Audit Committee**

### **Internal Audit Charter 2021/22**

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

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

**Ext.** 4783

**10 June 2021**

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### **Reason for Decision**

To advise Audit Committee Members of the proposed Internal Audit Charter for 2021/22.

### **Executive Summary**

The work of Internal Audit at Oldham Council has been governed by the UK Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 and updated in March 2017. The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all Internal Auditors working in the UK public sector.

The 2021/22 Internal Audit Charter is attached at Appendix 1 to this report.

### **Recommendations**

Members of the Audit Committee are requested to approve the Internal Audit Charter, effective from 1 April 2021.

## Internal Audit Charter 2021/22

## 1 Background

- 1.1 The Accounts and Audit (England) Regulations 2015 require every Local Authority to undertake an effective Internal Audit to evaluate the effectiveness of the Authority's risk management, control and governance processes. This should be carried out with regard to public sector Internal Audit standards and guidance.
- 1.2 Local Authority Internal Audit functions should comply with the 2013 Public Sector Internal Audit Standards (Revised 2017). These Standards (PSIAS) comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all Internal Auditors working in the UK public sector; the objectives of the PSIAS are to:
- define the nature of Internal Auditing within the UK public sector;
  - set basic principles for carrying out Internal Audit in the UK public sector;
  - establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 1.3 The Standards require an independent external assessment of the Council's Internal Audit service every five years. At its meeting on 8 September 2016, Members of the Audit Committee approved the selection of the Chartered Institute of Public Finance and Accountancy (CIPFA) to conduct this external assessment and this was conducted in September 2017. The conclusions of the independent external assessment were reported to the Audit Committee meeting of 11 January 2018. Therefore, the next PSIAS independent external assessment is due by 31 March 2023.
- 1.4 PSIAS requires the "Internal Audit Charter" define the mission, purpose, authority and responsibility of the Internal Audit function and its position within the organisation. The External Assessment report by CIPFA contained four recommendations, which were fully agreed and implemented by the Assistant Director of Corporate Governance and Strategic Financial Management in 2018/19.
- 1.5 In accordance with the PSIAS external assessment, the following changes were made to the 2018/19 Audit Charter and these are retained in the attached 2021/22 Audit Charter, as follows:
- The "Mission of Internal Audit" replaced the role and purpose, which was clarified in the Charter.
  - The Audit Charter incorporated a statement to confirm whether the Service has sufficient resources to deliver an effective Internal Audit service to the Council.
- 1.6 As part of his annual review, the Assistant Director of Corporate Governance and Strategic Financial Management, has reviewed the Internal Audit Charter to ensure it is in line with latest guidance. The proposed 2021/22 Internal Audit Charter is attached as **Appendix 1**.

- 2. **Options/Alternatives**
- 2.1 N/A
- 3. **Preferred Option**
- 3.1 N/A
- 4. **Consultation**
- 4.1 N/A
- 5 **Financial Implications**
- 5.1 N/A
- 6. **Legal Services Comments**
- 6.1 N/A
- 7 **Cooperative Agenda**
- 7.1 N/A
- 8 **Human Resources Comments**
- 8.1 N/A
- 9. **Risk Assessments**
- 9.1 The risk assessment is based on the work completed.
- 10 **IT Implications**
- 10.1 N/A
- 11 **Property Implications**
- 11.1 N/A
- 12 **Procurement Implications**
- 12.1 N/A
- 13 **Environmental and Health & Safety Implications**
- 13.1 N/A
- 14 **Equality, community cohesion and crime implications**
- 14.1. None.
- 15 **Equality Impact Assessment Completed**
- 15.1 No.

16 **Key Decision**

16.1 N/A

17 **Key Decision Reference**

17.1 N/A

18 **Background Papers**

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

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

19 **Appendices**

19.1 **Appendix 1:** Oldham Council Internal Audit Charter 2021/22.

# Oldham Council Internal Audit Function

## Internal Audit Charter 2021/22

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

## Internal Audit Charter 2021/22

<b>Section</b>	<b>Internal Audit Charter Contents</b>	<b>Page</b>
<b>1</b>	<b>Accounts and Audit (England) Regulations 2015</b>	<b>2</b>
<b>2</b>	<b>Definition of Internal Audit</b>	<b>2</b>
<b>3</b>	<b>Mission of Internal Audit</b>	<b>3</b>
<b>4</b>	<b>Professionalism</b>	<b>3</b>
<b>5</b>	<b>Authority</b>	<b>3</b>
<b>6</b>	<b>Organisation</b>	<b>3</b>
<b>7</b>	<b>Independence and Objectivity</b>	<b>3</b>
<b>8</b>	<b>Responsibility</b>	<b>4</b>
<b>9</b>	<b>Internal Audit Resources</b>	<b>4</b>
<b>10</b>	<b>Internal Audit Plan</b>	<b>5</b>
<b>11</b>	<b>Reporting and Monitoring</b>	<b>5</b>
<b>12</b>	<b>Review of Effectiveness of Internal Audit</b>	<b>5</b>
<b>13</b>	<b>Annual Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management</b>	<b>6</b>
<b>14</b>	<b>Internal Audit Charter Review</b>	<b>6</b>

## Internal Audit Charter 2021/22

1 April 2021

### 1 Accounts and Audit (England) Regulations 2015

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



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

### 2 Definition of Internal Audit

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

### **3. Mission of Internal Audit**

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

### **4. Professionalism**

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

### **5. Authority**

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

### **6. Organisation**

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

### **7. Independence and Objectivity**

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

## **8. Responsibility**

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

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

## **9. Internal Audit Resources**

9.1 At Oldham Council, the Head of Internal Audit is the Assistant Director of Corporate Governance and Strategic Financial Management, who is responsible for ensuring that Internal Audit resources are appropriately organised, trained and deployed to deliver an effective Internal Audit service to the Council. In particular, his role is to ensure that Internal Audit resources:

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

9.2 The Assistant Director of Corporate Governance and Strategic Financial Management ensures that the Annual Audit Plan sets out the resources that are available, and how they will be deployed to ensure that the Plan is delivered. Specialist resources may be commissioned from other providers.

9.3 The Assistant Director of Corporate Governance and Strategic Financial Management will report to the Council's Audit Committee, if he believes there are insufficient resources available to deliver the Plan and if the level of agreed resources will impact adversely on the provision of the annual Internal Audit opinion.

9.4 The Assistant Director of Corporate Governance and Strategic Financial Management concludes that there are sufficient Internal Audit resources to deliver an effective Internal Audit service to the Council in 2021/22.

## **10. Internal Audit Plan**

10.1 At least annually, the Assistant Director of Corporate Governance and Strategic Financial Management 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 Assistant Director of Corporate Governance and Strategic Financial Management will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

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

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

## **11. Reporting and Monitoring**

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

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

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

## **12. Review of Effectiveness of Internal Audit**

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

12.2 The Assistant Director of Corporate Governance and Strategic Financial Management conducts an annual review of the Internal Audit services against criteria set out in the "Balanced Scorecard" methodology, which is based on the criteria set out in PSIAS. The outcome of this internal assessment is reported to the Audit Committee in the report "Review of the System of Internal Audit by the Audit Committee". The last internal assessment was approved by the Audit Committee at its meeting on 4 June 2020. The next report will be considered by the Audit Committee at its meeting in June 2021.

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

### **13. Annual Opinion of the Assistant Director of Corporate Governance and Strategic Financial Management**

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

### **14. Internal Audit Charter Review**

- 14.1 The Internal Audit Charter will be reviewed by the Assistant Director of Corporate Governance and Strategic Financial Management annually, to ensure that it supports and links to the Council's corporate priorities. The Charter should be reported to Audit Committee at least every two years. The Charter was last reported to, and agreed by, the Audit Committee on 4 June 2020, as such this documented is generally reviewed annually by the Authority.

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**Oldham**  
Council

## Report to Audit Committee

# Update on the Redmond Review and External Audit Consultations

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Anne Ryans - Director of Finance

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

**Ext. 4783**

**10 June 2021**

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## Reason for Decision

This report sets out the:

- a) The Government response to the Redmond Review. The findings of the Redmond Review were reported to this Committee at an earlier meeting. The Government via the Ministry of Housing and Local Government (MHCLG) has now considered this report and responded to the recommendations made.
- b) The two recent consultations linked into the Redmond Report by the MHCLG around how the future fees from 2021/22 will be charged for external audit.

## Executive Summary

Sir Tony Redmond was requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of the financial reporting regime. This report is complete and has presented to the Secretary of State for Housing, Communities and Local Government. In total 23 recommendations were made covering the following topics:

- External Audit Regulation
- Smaller Authorities Audit Regulation
- Financial Resilience of local authorities
- Transparency of Financial Reporting

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This report outlines the Government response to this report including the most important one which is linked into the future regulation of local authority external audit.

It also details two recent consultations undertaken by the MHCLG linked into the future Scale Fees to be paid for future external audit.

### **Recommendation**

Members note the content of the report.

**Update on the Redmond Review and external audit consultations****1 Background**

- 1.1 The regulatory regime for Local Audit changed under the Coalition Government when the Audit Commission was abolished. The functions undertaken by the Audit Commission were reallocated to a few bodies and Public Sector Audit Appointments (overseen by the Local Government Association) was created to undertake the tendering and oversight of performance for local authority appointed auditors.
- 1.2 The decision to abolish the Audit Commission did attract some controversy and Sir Tony Redmond was commissioned to undertake an independent review by the Ministry of Housing, Communities and Local Government to assess the effectiveness of Local Audit and the Transparency of Local Authority Financial Reporting. Sir Tony Redmond was an experienced Finance Professional (Former Chief Executive and Treasurer) and a former Chairman of the Chartered Institute of Public Finance and Accountancy. The review recognised that the oversight of local authorities by a few different bodies was fragmented after the abolition of the Audit Commission. As an example of how matters need to improve, as at 31 March 2021 116 local authorities had not received an opinion on their 2019/20 accounts.
- 1.3 The Council prior to the Redmond Review was informed of its Scale Fee on an annual basis. Over a period, it has become recognised that the ongoing reductions in the fees paid to external audit were not enough to cover the cost of an independent audit. In response to the Redmond Review the Government allocated £15M to fund extra costs to be paid to Councils to support payments to External Auditors from the financial year 2021/22. The views of local authorities have been sought around allocating this extra funding and how future fee variations should be processed. This report outlines the Council response.

**2 Government response to Review Findings**

- 2.1 The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting reported back to the Secretary of State for Housing, Communities and Local Government in September 2020. In total 23 recommendations covering the following areas were made for the Secretary of State to consider:
- External Audit Regulation
  - Small Authorities Audit Regulation
  - Financial Resilience of local authorities
  - Transparency of Financial Reporting
- 2.2 The key recommendation made was that the Redmond Review recommended the Office of Local Audit and Regulation (OLAR) be created. This would oversee all aspects of local authority audit and Public Sector Audit Appointments (PSAA) created (the body who appoints 98% of all local authority audits) would be abolished. The Government was not convinced the creation of an organisation like the Audit Commission was the most appropriate way forward. In March 2021 it produced a white paper on Corporate Audit in which it recommended creating a new body to replace the Finance Reporting Council the Audit, Reporting and Governance Authority (ARGA). In response to the Redmond Review the Government is proposing to add the role of oversight of local authority audit to

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ARGA so one body will be responsible for the oversight of both public and private sector external audit. The PSAA will continue to have oversight of appointing individual local authority auditors. There would be a liaison group overseen by the MHCLG to consider emerging issues which will then be discussed with ARGA and the PSAA. The Government has not been convinced that a body like the Audit Commission such as OLAR recommended by Sir Tony Redmond needed to be created.

- 2.3 The other significant announcement in the latest response to the Redmond Review was the amendment announced to the Audit and Accounts Regulations in response to the pandemic to further extend the date to produce audited accounts to 30 September by a further two years (2021/22 and 2022/23).

### **3 Audit Fees Consultation by the MHCLG**

- 3.1 There have been two recent consultations undertaken by the MHCLG in relation to the future external audit fees to be paid by local authorities. The first consultation related to the allocation of the extra £15M to be used to support the current fees paid. The recommended approach was to allocate to Councils based on the Scale Fee. This Council suggested it should be in part based upon the complexity of the local authority and in part on the Scale Fee. The second consultation was linked into the oversight of changes to future external fees to those already agreed by the PSAA and the role of individual authorities compared to the PSAA in agreeing such changes. The view expressed was that the local authority should be the body to agree such changes.

### **4 Way Forward**

- 4.1 It is recommended that the Audit Committee notes:
- The response to the Redmond Review
  - The consultations on the Audit Scale Fee.

### **5 Options/Alternatives**

- 5.1 N/A

### **6 Preferred Option**

- 6.1 N/A.

### **7 Consultation**

- 7.1 N/A

### **8 Financial Implications**

- 8.1 N/A

### **9 Legal Services Comments**

- 9.1 N/A.

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- 10 **Cooperative Agenda**
- 10.1 N/A.
- 11 **Human Resources Comments**
- 11.1 N/A.
- 12 **Risk Assessments**
- 12.1 N/A.
- 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 **Equality, community cohesion and crime implications**
- 17.1 N/A.
- 18 **Equality Impact Assessment Completed?**
- 18.1 None.
- 19 **Key Decision**
- 19.1 N/A.
- 20 **Forward Plan Reference**
- 20.1 N/A.
- 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: [Local authority financial reporting and external audit: government response to the Redmond review - GOV.UK \(www.gov.uk\)](#)

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Officer Name: Mark Stenson

Contact No: 0161 770 4783

22 **Appendices**

22.1 None.



## Report to Audit Committee

# 2020/21 Audit and Counter Fraud Progress Report

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

**Officer Contact:** Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

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

**Ext.** 4783

**10 June 2021**

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### Reason for Decision

To provide Members with a high-level progress report on the work of the Audit and Counter Fraud team for the 2020/21 financial year.

### Executive Summary

The report summarises the work carried out by the Audit and Counter Fraud Team from 1 April 2020 to 31 March 2021. Due to the pandemic a revised eight-month plan was drafted in order to consider the risks and changes to the working practices.

The team prioritised 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 have been completed, with work commencing on 8 February. All the fieldwork as part of the review of 13 systems with throughput value of over £10m has been completed. Reports are in the draft stage.

Due to the ongoing pandemic, Internal Audit continued to provide non-audit related administration support to Revenues and Benefits services in relation to the Covid related grants; and continued to provide advice and support to the Council around Covid Related processes and issues until 31 March 2021.

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

- Contribution to reviewing and controls around processing Winter Grants, and continued support around Business Grants and discretionary Business Grants reviews and queries.
- 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, which now has been completed.
- Business Grant Assurance review around the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grant Fund (RHLGF), Local Authority Discretionary Grant Fund (LADGF) and Local Restrictions Support Grants administered by the Council.
- Review and certification around European grants.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £244,814 and £2,161,075 (respectively) during the 2020/21 financial year.
- The Team are in the process of implementing a cost-effective solution to the Audit Management System, to ensure an appropriate mix of external and internal resources to achieve value for money. Training has been provided and system is being implemented in partnership through Unity ICT and Pentana Software.

## **Recommendations**

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

## Audit and Counter Fraud Progress Report

### 1. Background

- 1.1 This report summarises the work carried out for the period 1 April 2020 to 31 March 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

- 2.1 The priorities for the 2020/21 Audit and Counter Fraud Plan was 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 the final stage 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 generally well given the challenges faced around working in a different way. A total of 13 systems with throughput value of over £10m were reviewed assessing key controls within each system.
    - The FFS audits were undertaken in two stages to provide earlier assurance:
      - Interim (Stage 1) Audits which commenced in October 2020; and
      - Final (Stage 2) Audits which commenced in February 2021
    - As part of supporting the final accounts close down, the team are liaising closely with the organisation's external audit Mazars, around reviewing key controls and system reviews.
    - Work continued to progress on two external clients which are due for completion, around internal controls and financial system reviews.
    - Internal Audit and Counter fraud worked through the 2020/21 plan and carried out unplanned worked in order to:
    - Provide assurance that the systems and procedures in place within Oldham Council are financially sound and in line with best practice.
    - A process of "Continuous Audit" for several key financial systems. This includes Payroll and Adults Financial Systems.
  - 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.
- 2.2 Payroll Assurance, iTrent implementation. 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 has been completed with the all payrolls associated with the Council processed through the iTrent payroll system:
- Schools Payroll was processed in February 2021 through the iTrent System, which was transferred from the previous payroll platform Selima.

- Council officer's payroll was transferred from the A1 system to iTrent and payroll was processed through the new system in January 2021.

Internal Audit will continue to monitor the processes and control due to the inherent risks around it being a new system and regular reports will be provided in order to give assurance on the controls and stability of the system.

- 2.3 The Audit team also carry work around EU funded grant schemes and this report includes work carried out on a number of grants, a number of which relate to low carbon initiatives, which supports the Council's corporate plans.

Innova Foster:

This 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 and 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.

Coalescse:

The terms stand for 'Community Owned and Led Energy for Security Climate Change and Energy'. 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'.

- 2.4 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 this report, the FFS final draft reports 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 Assistant Director of Corporate Governance and Strategic Financial Management.
- 2.5 A new Audit Management System has been selected in accordance with the Council's Contract Procedure Rules and this is progressing well. Training has been carried out, and the supplier is working with Unity ICT to implement the web-based system, and it is in the last stage of implementation.
- 2.6 The software selected is called Pentana Audit System which 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, as this is due to be completed shortly. 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 Assistant Director of Corporate Governance and Strategic Financial Management.

### 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:

- 117 positive cases of Council Tax Reduction (CTR) Fraud and Error identified;
- £108k of Council Tax Reduction (CTR) misuse and savings has been uncovered;
- 114 Warning Letters and 3 Administration Penalty Letters have been issued to Council Tax customers;
- £74k of Housing Benefit Fraud and Error Overpayments identified as part of the CTR investigations;
- 130 positive cases of non-CTR fraud/misuse including Direct Payment Misuse, Employee Abuse of Position, Council Tax Discount Fraud (SPD); and
- £62k 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 also 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 £2,029,164 and £131,910 (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, the team carried out 1,125 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) choose 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:	Mark Stenson
Contact No:	0161 770 4783

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – 1 April to 31 March 2021
- **Appendix 2:** Counter Fraud Results – 1 April to 31 March 2021
- **Appendix 3:** Direct Payments Results – 1 April to 31 March 2021

**Audit and Counter Fraud 2020/21**  
Summary of Reports 1 April to 31 March 2021

Report Ref	Directorate	Audit Review/CF Report	Report/Briefing Note	Quarter	Opinion
1	People and Place	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	(iTrent Project Implementation) Payroll Assurance Highlight Report	Report	Q1-2	Assurance
14	External Client	Follow up AW High Complex Case	Report	Q2	Adequate
15	Commissioning Services	Inova Foster Grant	Grant Assurance	Q3	Assurance
16	Commissioning Services	(iTrent Project Implementation) Payroll Assurance Highlight Report	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	<b>Commissioning Services</b>	Draft NDR	<b>Report</b>	Q3	<b>Adequate</b>
21	<b>Commissioning Services</b>	Draft Council Tax Reduction	<b>Report</b>	Q3	<b>Adequate</b>
22	<b>Commissioning Services</b>	Draft Fixed Asset	<b>Report</b>	Q3	<b>Adequate</b>
23	<b>Commissioning Services</b>	Draft Treasury Management	<b>Report</b>	Q3	<b>Good</b>
24	<b>Commissioning Services</b>	Draft Business Grant	<b>Report</b>	Q3	<b>Adequate</b>
25	<b>Commissioning Services</b>	Draft Adult Social Care – PB & Homecare	<b>Report</b>	Q3	<b>Inadequate</b>
26	<b>Commissioning Services</b>	Draft Adult Social Care – Residential Homes	<b>Report</b>	Q3	<b>Inadequate</b>
27	<b>Commissioning Services</b>	IT Laptop Windows 10 Inventory	<b>Briefing Note</b>	Q1	<b>Advisory</b>
28	<b>Commissioning Services</b>	COVID-19 Small Business Grants	<b>Briefing Note</b>	Q2	<b>Assurance</b>
29	<b>Commissioning Services</b>	CC Suppler Payments	<b>Briefing Note</b>	Q2	<b>Advisory</b>
30	<b>Commissioning Services</b>	Free School Meals Vouchers - Advisory Role	<b>Briefing Note</b>	Q4	<b>Advisory</b>
31	<b>Commissioning Services</b>	Primary School – Accounts Payable - overdue invoices controls	<b>Briefing Note</b>	Q4	<b>Advisory</b>
32	<b>Commissioning Services</b>	Local Growth Fund	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
33	<b>Commissioning Services</b>	Coalescse	<b>Grant Assurance</b>	Q1	<b>Assurance</b>
34	<b>Commissioning Services</b>	Foundations	<b>Grant Assurance</b>	Q2	<b>Assurance</b>
35	<b>Commissioning Services</b>	BEIS - Post Payment Assurance Report	<b>Grant Assurance</b>	Q4	<b>Assurance</b>
36	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 1	<b>Grant Assurance</b>	Q2	<b>Assurance</b>
37	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 2	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
38	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 3	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
39	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 4	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
40	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 5	<b>Grant Assurance</b>	Q3	<b>Assurance</b>
41	<b>Commissioning Services</b>	BEIS - Business Grant Assurance Assessment 6	<b>Grant Assurance</b>	Q4	<b>Assurance</b>
42	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31617741	<b>Briefing Note</b>	Q2	<b>Advisory</b>

43	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31593289	<b>Briefing Note</b>	Q2	<b>Advisory</b>
44	<b>Commissioning Services</b>	Report on Allegation of Business Rate Fraud - 31648453	<b>Briefing Note</b>	Q1	<b>Advisory</b>
45	<b>Commissioning Services</b>	NFI 2020/21- Council Tax Single Person Discount Review Arrangements	<b>Briefing Note</b>	Q3	<b>Advisory</b>
47	<b>Commissioning Services</b>	(iTrent Project Implementation) Payroll Assurance Highlight Report	<b>Report</b>	Q4	<b>Advisory</b>
48	<b>Commissioning Services</b>	Final Draft Accounts Payable	<b>Report</b>	Q4	<b>Adequate</b>
49	<b>Commissioning Services</b>	Final Draft Bank Reconciliations	<b>Report</b>	Q4	<b>Good</b>
50	<b>Commissioning Services</b>	Final Draft Council Tax	<b>Report</b>	Q4	<b>Adequate</b>
51	<b>Commissioning Services</b>	Final Draft NDR	<b>Report</b>	Q4	<b>Adequate</b>
52	<b>Commissioning Services</b>	Final Draft Council Tax Reduction	<b>Report</b>	Q4	<b>Adequate</b>
53	<b>Commissioning Services</b>	Final Draft Fixed Asset	<b>Report</b>	Q4	<b>Adequate</b>
54	<b>Commissioning Services</b>	Final Draft Treasury Management	<b>Report</b>	Q4	<b>Good</b>
56	<b>Commissioning Services</b>	Final Draft Adult Social Care – PB & Homecare	<b>Report</b>	Q4	<b>Inadequate</b>
57	<b>Commissioning Services</b>	Final Draft Adult Social Care – Residential Homes	<b>Report</b>	Q4	<b>Inadequate</b>

**Audit and Counter Fraud 2020/21**

Counter Fraud Results 1 April 2020 to 31 March 2021

<b>Counter Fraud Team - Performance Monitoring 2020/21</b>	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>	<b>Total</b>
Corporate Cases - Positive Results	25	53	25	27	<b>130</b>
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£18,705.39	£18,672.15	£15,518.45	£9,693.24	<b>£62,589.23</b>
CTR cases amended as a result of an investigation	26	32	20	39	<b>117</b>
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£8,743.58	£17,495.99	£35,569.89	£12,342.12	<b>£74,151.58</b>
CTR Fraud and Error Overpayments identified (£)	£34,551.00	£31,316.48	£18,072.27	£24,134.09	<b>£108,073.84</b>
<b>Financial Outcomes</b>	<b>£61,999.97</b>	<b>£67,484.62</b>	<b>£69,160.61</b>	<b>£46,169.45</b>	<b>£244,814.65</b>

**Audit and Counter Fraud 2020/21**

Direct Payments Results 1 April 2020 to 31 March 2021

**Adults Social Care**

<b>Financial Year 2020/21</b>	<b>Number of Audits Reviewed</b>	<b>Amount of Underspend for Recovery (£)</b>	<b>Financial Contribution (FC) for Recovery (£)</b>	<b>Total Direct Payment and FC for Recovery (£)</b>
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
March	111	£277,476.46	£11,384.84	£288,861.30
<b>Total</b>	<b>941</b>	<b>£1,887,468.61</b>	<b>£141,696.02</b>	<b>£2,029,164.63</b>

## Audit and Counter Fraud 2020/21

Direct Payments Results 1 April 2020 to 31 March 2021

### Children 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
March	37	£22,473.37
<b>Total</b>	<b>184</b>	<b>£131,910.51</b>

**NB:** There are no financial contributions paid by the recipients of Children and Young People Direct Payments.

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