

## Report to Audit Committee

# 2023/24 Annual Opinion Report Comparison

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

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**28 November 2024**

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### Reason for Decision

At the Audit Committee's meeting of 27<sup>th</sup> June 2024, the Committee received the Annual Opinion Report of the Head of Internal Audit and Counter Fraud for the year 2023/24.

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

This report provides Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24 (where publicly available at the time of writing), and the individual opinion reports issued by each Internal Audit team across GM which contributed to the Annual Opinion arrived at in each case.

Additional selected points of comparison between the work carried out by the Internal Audit Team at Oldham and other Authorities across GM is also provided.

### Recommendation

Members are requested to consider and note the contents of the report.

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## 2023/24 Annual Opinion Report Comparison

### 1. Introduction

#### 1.1 Background

- 1.1.1 At the Audit Committee's meeting of 27<sup>th</sup> June 2024, the Committee received the Annual Opinion Report of the Head of Internal Audit and Counter Fraud for the year 2023/24.
- 1.1.2 As part of their review of this report Members requested a further report comparing the levels of assurance provided by Heads of Audit in other Authorities relative to the levels of assurance given in respect of individual audit assignment reports throughout the relevant year.
- 1.1.3 This report provides Members with a high-level comparison of the Annual Head's of Audit Opinions across GM for the year 2023/24 (where publicly available at the time of writing), and the individual opinion reports issued by each Internal Audit team across GM which contributed to the Annual Opinion arrived at in each case.
- 1.1.4 Additional selected points of comparison between the work carried out by the Internal Audit Team at Oldham and other Authorities across GM are also provided. The report is structured as follows:
- Section 2: Annual Opinion report comparison across GM Authorities, included GMCA.
  - Section 3: Comparison of Oldham against individual GM Authorities.
  - Section 4: Summary of audit coverage and assurance across comparable areas of risk

#### 1.2 Independence, objectivity, and the role of the Head of Internal Audit (HIA)

- 1.2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Head of Internal Audit (HIA) in Local Government was issued on 9 April 2019.
- 1.2.2 This publication sets out that role of the Head of Internal Audit (HIA) is to provide an Annual Opinion on the System of Internal Control, **based upon the work performed**, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes, i.e., the organisation's system of internal control. **This is achieved through a risk-based plan of work**, agreed with management, and approved by the Council's Audit Committee, which should provide a reasonable level of assurance.
- 1.2.3 The publication sets out key principles aligned with the UK Public Sector Internal Audit Standards (PSIAS) and individual and organisational responsibilities. The guidance refers to:
- The assurance provided by the HIA must be **evidence based**, in order to provide proper comfort to those who ask for it, and to improve governance arrangements. This means that Internal Audit planning must be **well focused** and in accordance with professional standards.
  - The HIA **may** obtain assurance from partners and other agencies, and the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work.
- 1.2.4 In order to meet these objectives in practice, the HIA, and Internal Audit Service, in addition to utilising other available sources of assurance, **must directly undertake sufficient independent audit review work**, across a broad range of organisational activity, whilst also focussing on the key organisational objectives and risks.
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### 1.3 Internal Audit Opinion Levels

1.3.1 CIPFA has also published guidance on: **Internal Audit Engagement Opinions: Setting common definitions**. This guidance recommends the following 4 opinion levels when issuing an audit opinion on individual audit reviews.

- **Substantial Assurance** “A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”
- **Reasonable Assurance** “There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
- **Limited Assurance** “Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
- **No Assurance** “Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”

1.3.2 At Oldham the terms **Good, Adequate, Inadequate,** and **Weak** are used, with similar definitions to the above. Across Greater Manchester all Authorities reviewed utilised a 4 opinion model and, though the terminology differs widely, broadly similar definitions of the 4 terms are assumed.

1.3.3 Members will note there is no “middle” or “average” opinion available. This is deliberate and forces those issuing opinions to fall on one side or the other of a broadly acceptable level of assurance. To enable more meaningful comparison between organisations, two opinions are, for the purposes of this report, classified hereafter as being “above a broadly acceptable level of assurance” and two “below a broadly acceptable level of assurance”.

1.3.4 Some organisations use the same term to describe different opinion levels and these have been reviewed and categorised as either “above” or “below” the line dependent on the range of other opinions available at that organisation.

## 2 Annual Opinion Report comparison across GM Authorities, included GMCA.

### 2.1 Summary of data utilised in this analysis.

2.1.1 Appendix 1 shows a summary of the Annual Opinions issued across GM for 2023/24, with two exceptions. At the time of writing (October 2024) Bolton MBC had not yet reported the Head of Audit’s Annual Opinion for 2023/24 to the Council’s Audit Committee, so the reports issued and Annual Head of Audit’s Opinion for 2022/23 have been used for comparative purposes here instead. The other exception being Wigan Council where the Annual Head of Audit’s Opinion Report has been included in the restricted part of their Audit Committee agenda and, therefore, is not publicly available. The individual opinion report outcomes are however available, and these have been included for completeness within the averages for all Authorities, but excluded from the averages quoted in respect of those Authorities “above” and “below” the line in terms of their overall Annual Opinion.

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## **2.2 Summary of Annual Opinions:**

2.2.1 From Appendix 1 we can see the following:

- None of the Authorities sampled issued an Annual Opinion Report which could be described as “Weak” or “No” assurance.
- Eight of eleven Authorities reported Annual Opinions described variously as Adequate, Satisfactory, Reasonable and Moderate, and are considered to be “above the assurance line”.
- Two of eleven Authorities issued opinions described as Limited and Moderate, considered to be “below the assurance line”.
- As noted above, one Authority’s Annual Opinion was unavailable for review.

## **2.3 Summary of individual opinion reports issued – all Authorities:**

2.3.1 For all Authorities sampled:

- The average number of individual opinion reports issued was 25.45 (Oldham 33)
- The average number of opinion reports issued with opinions “above the line” was 19.18, or 75% (Oldham 25 and 76%)
- The average number of opinion reports issued with opinions “below the line” was 6.27, or 25% (Oldham 8 and 24%)

Oldham therefore issued a higher than average number of individual opinion reports, with proportion of those reports considered to be “above the required assurance line” very much in line with the GM average.

## **2.4 Summary of individual opinion reports issued – Authorities issuing Annual Opinions considered “above the required assurance line”:**

2.4.1 For Authorities issuing annual opinion reports with opinions “above the line”:

- The average number of individual opinion reports issued was 26.5 (Oldham 33)
- The average number of opinion reports issued with opinions “above the line” was 21.25, or 80% (Oldham 25 and 76%)
- The average number of opinion reports issued with opinions “below the line” was 5.25, or 20% (Oldham 8 and 24%)

The average proportion of total reports issued and considered to be “above line” (80%) is slightly higher than at Oldham (76%)

## **2.5 Summary of individual opinion reports issued – Authorities issuing Annual Opinions considered “below the required assurance line”:**

2.5.1 For Authorities issuing annual opinion reports with opinions “below the required assurance line”:

- The average number of individual opinion reports issued was 27.
- The average number of opinion reports issued with opinions “above the line” was 16.5, or 61%.
- The average number of opinion reports issued with opinions “below the line” was 10.5, or 39%.

In comparison with those Authorities issuing annual opinions “above the line”, these authorities issued a similar number of individual reports on average, but with a greater proportion of these reports (almost double) considered to be “below the line” of assurance, 39% in this category compared to 20% at 2.4.1 above.

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### **3. Comparison of opinion report outputs between Oldham and individual authorities across GM.**

#### **3.1 Oldham in comparison with Salford Council**

- 3.1.1 Salford Internal Audit Service issued a “Satisfactory” overall opinion for 2023/24.
- 3.1.2 Salford issued a total of 34 opinion reports for 2023/24 (Oldham 33). Of these 24 (70%) were classed as “High” or “Satisfactory” and included here as “above the line” (Oldham 25 and 76%).and 10 (30%) classed as “Limited” or Minimal”, and included here as “below the line” (Oldham 8 and 24%).
- 3.1.3 Looking at the areas Salford reported on:
- 16 related to school audit reviews (Oldham 3)
  - 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS), including Personal Budgets & Direct Payments (Adult Social Care) – “Limited” (Oldham 15 FFS in total), 2 of which related to cash handling (Oldham 2),
  - 3 related to specialist IT reviews (Oldham 1).
- 3.1.4 Salford did not issue any reports in connection with capital expenditure in the year (Oldham 5).

#### **3.2 Oldham in comparison with Bury Council**

- 3.2.1 Bury Internal Audit Service issued a “Moderate” (below the line) overall opinion for 2023/24.
- 3.2.2 Bury issued a total of 22 opinion reports for 2023/24 (Oldham 33). Of these 9 (41%) were classed as “Full” or “Substantial” and included here as “above the line” (Oldham 25 and 76%).and 13 (59%) classed as “Moderate” or “Limited”, and included here as “below the line” (Oldham 8 and 24%).
- 3.2.3 The categorisation of Bury’s overall opinion of “Moderate” as “below the line” is based on the 4 available audit opinions in use at Bury, of which Moderate is in the lower half. And an extract below from Bury’s annual report shown below:

*“A total of 22 audit reviews, making 136 recommendations, have been considered in forming the overall opinion for the year. As shown in the following chart the outcome of 41% of audits (9 reviews), completed in 2023/24 are positive having provided a substantial or full level of assurance to the areas examined. There are however a proportion of audits, 23% (5 reviews), where controls were considered to be moderate. There were 8 reviews, (36%), which were considered to give a limited level of assurance, these made a total of 74 recommendations of which 29 were fundamental and 46 were significant / merits attention.”*

- 3.2.4 Looking at the areas Bury reported on:
- 1 related to school audit reviews (Oldham 3)
  - 7 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) including Debtors Key Controls 2023/24 – “Limited”, (Oldham 15).
  - None related to specialist IT reviews (Oldham 1).
- 3.2.5 Bury did not issue any reports in connection with capital expenditure in the year (Oldham 5).
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### **3.3 Oldham in comparison with Bolton Council**

- 3.3.1 Bolton Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2022/23 (2023/24 data not available at time of writing).
- 3.3.2 Bolton issued a total of 13 opinion reports for 2022/23 (Oldham 33). Of these 12 (92%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%), and 1 (8%) classed as “Limited”, and included here as “below the line” (Oldham 8 and 24%).
- 3.3.3 Looking at the areas Bolton reported on:
- 1 related to a school audit review (Oldham 3)
  - 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), 1 of which related to cash handling (Oldham 2).
  - 2 related to specialist IT reviews (Oldham 1).
- 3.3.4 Bolton did not issue any reports in connection with capital expenditure in the year (Oldham 5).

### **3.4 Oldham in comparison with Tameside Council**

- 3.4.1 Tameside Internal Audit Service issued a “Limited” (below the line) overall opinion for 2023/24.
- 3.4.2 Tameside issued a total of 32 opinion reports for 2023/24 (Oldham 33). Of these 24 (75%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%), and 8 (25%) classed as “Limited” or “No Assurance”, and included here as “below the line” (Oldham 8 and 24%).
- 3.4.3 The reasoning behind the classification of Tameside’s overall annual audit opinion as “Limited” is explained in the extract below from Tameside’s annual report:

*“The opinion on the overall adequacy of the Council’s framework of governance, risk management and internal control for the period 2023/24 is Limited due to the limitation in scope in terms of strategic risk coverage, the outcome of the OFSTED inspection rating Children’s Services inadequate and the outcome of the Children’s internal audit reviews providing no assurance. That said, based on the actual audit work completed in 2023/24 in the other strategic risk areas, the opinion would be reasonable assurance.*

*There is a limitation to scope in terms of risk coverage by Internal Audit due to a change in approach in line with risk-based auditing, where there was a rest in August 2023, and as such under the new audit framework we have been unable to cover as much in the time restraints. Work will continue in 2024/25, with full coverage.”*

- 3.4.4 Looking at the areas Tameside reported on:
- 14 related to school audit reviews (Oldham 3)
  - 9 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Children’s Social Care Cash and Children’s Homes Cash and Card, both “Limited”
  - 3 related to specialist IT reviews (Oldham 1).
- 3.4.5 Tameside did not issue any report in connection with capital expenditure in the year (Oldham 5).
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### **3.5 Oldham in comparison with Stockport Council**

3.5.1 Stockport Internal Audit Service issued a “Moderate” (above the line) overall opinion for 2023/24.

3.5.2 Stockport issued a total of 31 opinion reports for 2023/24 (Oldham 33). Of these 24 (77%) were classed as “Substantial” or “Moderate” and included here as “above the line” (Oldham 25 and 76%).and 7 (23%) classed as “Limited”, and included here as “below the line” (Oldham 8 and 24%).

3.5.3 Looking at the areas Stockport reported on:

- 12 related to school audit reviews (Oldham 3)
- 3 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Debtors – “Moderate/Limited” and Reconciliation of Payroll Controls – “Limited”.
- 4 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

### **3.6 Oldham in comparison with Trafford Council**

3.6.1 Trafford Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2023/24.

3.6.2 Trafford issued a total of 24 opinion reports for 2023/24 (Oldham 33). Of these 24 (100%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 0 (0%) classed as “Limited” or “Weal/No” assurance, and included here as “below the line” (Oldham 8 and 24%).

3.6.3 Members will note that although Trafford issued no “below the line” individual audit opinions in the year, the annual assurance opinion for the year remained “Reasonable” as opposed to “Substantial”.

3.6.4 Looking at the areas Trafford reported on:

- 8 related to school audit reviews (Oldham 3)
- 5 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15).
- 0 related to specialist IT reviews (Oldham 1).
- 1 report related to capital expenditure (Oldham 5).

### **3.7 Oldham in comparison with Manchester Council**

3.7.1 Manchester Internal Audit Service issued a “Reasonable” (above the line) overall opinion for 2023/24.

3.7.2 Manchester issued a total of 30 opinion reports for 2023/24 excluding those recorded as opinion reports on grant expenditure assurance work (Oldham 33). Of these 16 (53%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 14 (47%) classed as “Limited” assurance, and included here as “below the line” (Oldham 8 and 24%).

3.7.3 Members will note that although Manchester issued more, and a higher proportion of “below the line” individual audit opinions in the year than the average for those Council’s issuing a “below the line” annual opinion, Manchester’s annual assurance opinion for the year remained “Reasonable” as opposed to “Limited”.

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#### 3.7.4 Looking at the areas Manchester reported on:

- 8 related to school audit reviews (Oldham 3),
- 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), including Direct Payments - "Limited" and Imprest Accounts – "Limited".
- 1 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

### 3.8 Oldham in comparison with Rochdale Council

3.8.1 Rochdale Internal Audit Service issued an "Adequate" (above the line) overall opinion for 2023/24.

3.8.2 Rochdale issued a total of 36 opinion reports for 2023/24 (Oldham 33). Of these 36 (100%) were classed as "Substantial" or "Adequate" and included here as "above the line" (Oldham 25 and 76%).and 0 (0%) classed as "Limited" or otherwise "below the line" audit opinions (Oldham 8 and 24%).

3.8.3 Members will note that although Rochdale issued no "below the line" individual audit opinions in the year, the annual assurance opinion for the year remained "Adequate" as opposed to "Substantial".

#### 3.8.4 Looking at the areas Rochdale reported on:

- 17 related to school audit reviews (Oldham 3)
- 4 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15). However, the report in relation to Business Rates focussed only on Charitable Reliefs; and 2 Payroll reports were issued, one in connection with Term Time Only employees, and another in respect of Employee Expenses. 1 report related to cash handling (Oldham 2).
- 0 related to specialist IT reviews (Oldham 1).
- 2 reports related to capital expenditure (Oldham 5).

### 3.9 Oldham in comparison with Wigan Council

3.9.1 Wigan Internal Audit Service' Annual Audit Opinion for 2023/24 has not been made publicly available and was included in the Private part of the agenda for the Audit Committee meeting to which it was presented.

3.9.2 Wigan issued a total of 14 opinion reports for 2023/24 (Oldham 33). Of these, 8 (57%) were classed as "High" or "Satisfactory" and included here as "above the line" (Oldham 25 and 76%).and 6 (43%) classed as "Limited" audit opinions (Oldham 8 and 24%).

#### 3.9.3 Looking at the areas Wigan reported on:

- 0 related to school audit reviews (Oldham 3)
  - 5 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15), of which 1 Payroll report focussed on Temporary Elements – "Limited", 1 on Write-offs across CT, NDR and Housing Rents, and 3 reports related to cash handling (Oldham 2).
  - 1 related to specialist IT reviews (Oldham 1).
  - 2 reports related to capital expenditure (Oldham 5).
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### **3.10 Oldham in comparison with GMCA**

3.10.1 GMCA Internal Audit Service issued an “Adequate” (above the line) overall opinion for 2023/24.

3.10.2 GMCA issued a total of 11 opinion reports for 2023/24 (Oldham 33). Of these, 9 (82%) were classed as “Substantial” or “Reasonable” and included here as “above the line” (Oldham 25 and 76%).and 2 (18%) classed as “Limited” audit opinions (Oldham 8 and 24%).

3.10.3 Looking at the areas GMCA reported on:

- 1 related to areas which, in Oldham, would be considered as Fundamental Financial Systems (FFS) (Oldham 15).
- 2 related to specialist IT reviews (Oldham 1).
- 0 reports related to capital expenditure (Oldham 5).

## **4. Summary of audit coverage and assurance across comparable areas of risk**

4.1 Oldham issued the 3<sup>rd</sup> highest number of comparable opinion reports overall during 2023/24 (33), with only Rochdale (36) and Salford (34) issuing a greater number (and therefore gaining a potentially broader scope of assurance) than Oldham. However, the number of schools reports issued by these authorities formed a significantly higher number and proportion of the total reports issued at both Rochdale (17), and Salford (16). Tameside Council issued the 4<sup>th</sup> highest number of opinion reports (32), with, again, a higher number and proportion of these reports relating to schools (14).

4.2 Oldham also issued the greatest number of reports in relation to Fundamental Financial systems reviews (15). Tameside issued the second highest number of FFS reports (9).

4.3 Oldham issued 1 report during the year in relation to a specialist IT review. Stockport issued 4 reports in this category, and both Tameside and Salford issued 3. IT is recognised area of risk across all organisations and work is ongoing in this area at Oldham with further reports to follow in due course.

4.4 Oldham issued the greatest number of reports in connection with the Council's capital expenditure programme. No other Authority issued more than 2 reports in this category.

## **5 Options/Alternatives**

5.1 The Audit Committee can either:

- a) choose to accept and note the contents of the report,
- b) decline to accept and note the contents of the report and suggest an alternative approach.

## **6 Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the report.

## **7 Consultation**

7.1 N/A.

## **8 Financial Implications**

8.1 N/A.

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9 **Legal Services Comments**

9.1 N/A.

10 **Co-operative 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 **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 Appendix 1  
Officer Name: John Miller

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## 22 Appendices

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes and Annual Opinions across GM 2023/24



**Appendix 1: Summary of Audit Reports/Outcomes and Annual Opinions across GM 2023/24**

Authority	Oldham		Salford		Bury		Bolton (22/23)		Tameside		Stockport		Trafford		Manchester		Rochdale		Wigan		GMCA		Average	
Overall Annual Opinion	Adequate		Satisfactory		Moderate		Reasonable		Limited		Moderate		Reasonable		Reasonable		Adequate		N/A		Reasonable		All	
Opinion Level	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Good/ Substantial/ High/ Full Assurance	5	15	11	32	3	14	3	23	2	6	4	13	12	50	2	6	14	39	1	7	2	18	5.36	21
Adequate/ Satisfactory/ Reasonable/ Substantial Assurance	20	61	13	38	6	27	9	69	22	69	20	64	12	50	14	54	22	61	7	50	7	64	13.82	54
Inadequate/ Limited/ Moderate Assurance	7	21	10	29	5	23	1	8	6	19	7	23	0	0	14	40	0	0	6	43	2	18	5.27	21
Weak/ Minimal/ No/ Limited Assurance	1	3	0	0	8	36	0	0	2	6	0	0	0	0	0	0	0	0	0	0	0	0	1	4
Total	33	100	34	100	22	100	13	100	32	100	31	100	24	100	30	100	36	100	14	100	11	100	25.45	100

