

Audit Progress Report

Manchester City Council

October 2020





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1. AUDIT PROGRESS

Purpose of this report

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

Audit progress

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

- Maintained a regular dialogue with the Deputy Chief Executive & City Treasurer, the Deputy City Treasurer, the Chief Accountant and the finance team. We have held weekly video calls with the finance team to discuss progress on the external audit and ensure that the finance team are able to respond promptly to our audit queries and information requests.
- Undertaken audit testing in line with our agreed resource plans. The progress of the audit is as planned with several areas of testing complete and all other areas underway.
- The closedown process has been understandably slower than would ordinarily be the case, with the challenges of the Council's finance team all working remotely, and having additional workload in addition to closing down the accounts. Our experience from our other audits that have been carried out since March indicate that the audit process is similarly challenging and we will continue to keep the Council apprised of our progress.

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

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office			
1	Whole of Government Accounts 2018-19	Published version of WGA for the previous year	5
2	Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19	Practical guide for Audit Committees	5
CIPFA			
3	Code of Practice on Local Authority Accounting in the United Kingdom 2020/21	Code of Practice for the Financial Statements 2020/21	6
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5	Combating Financial Crime: Practical Advice for the Public Sector	Guide for public authorities on the latest money laundering regulations	6
MHCLG			
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2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Whole of Government Accounts 2018-19, July 2020

The Whole of Government Accounts consolidates the accounts of over 9,000 public sector bodies, including central and local government and public corporations such as the Bank of England, to provide the most complete and accurate picture of the UK's public finances.

<https://www.nao.org.uk/report/whole-of-government-accounts-2018-19/>

2. Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19, June 2020

Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.

This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period when more specific and detailed reporting on the outbreak will be required.

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

2. NATIONAL PUBLICATIONS – CIPFA

3. Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, July 2020

This code is prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK. The 2020/21 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2020.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202021>

4. Delivering Outcomes in the Public Sector, August 2020

Delivering Outcomes in the Public Sector is practical guidance for anyone with a role or interest in improving public services and ensuring that public money is directed towards meeting the needs of citizens. It uses an outcomes approach to address challenges in public spending.

Outcomes are a way of defining effectiveness, or benefits, but in order to assess value for money, practitioners need to consider costs as well as benefits. Political judgement is also required to determine spending priorities depending on the relative importance of different outcomes.

The rationale for an outcomes approach – a way of thinking and working that focuses on things that customers value – seems self-evident, but public sector organisations face significant challenges in:

- translating outcomes into measurable indicators of performance
- assessing the impact that a particular service or programme has on outcomes.

This guidance provides advice about how to navigate these challenges and avoid the various pitfalls that can trap the unwary. Key points are illustrated with examples that give a real insight into the detailed work required to plan and implement an outcomes approach.

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-outcomes-in-the-public-sector>

5. Combating Financial Crime: Practical Advice for the Public Sector

The latest UK Annual Fraud Indicator figures show that £40bn is lost to fraud. Moreover, the UK government recognises that “tens of billions” of pounds are lost to money laundering.

While public authorities are not legally obliged to apply the provisions of money laundering regulations, it is recommended that they employ policies and procedures to deal with the growing threat of terrorist financing, money laundering and other financial crimes.

CIPFA have expanded their guide to explore the different financial crime types, their impact on public authorities in the UK and globally and the relevant legislative environment. This updated edition includes such customer due diligence procedures as checking the controls of onboarding new vendors, including determining the ultimate beneficial owner of a company. The guidance also covers the implications of financial crime for leadership teams of public authorities, providing practical advice and highlighting the recommendation of nominating a money laundering reporting officer.

<https://www.cipfa.org/policy-and-guidance/publications/c/combating-financial-crime-further-guidance-on-antimoney-laundering-for-public-service-organisations-2020-edition>

2. NATIONAL PUBLICATIONS – MHCLG

6. Redmond Review, September 2020

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities.

Mazars welcomes the publication of Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. This report covers local audit regulation, procurement, auditor performance, governance, the scope of audit work and local authority financial reporting.

As a firm committed to working with public services and the communities they serve, we see this important report as an opportunity to strengthen the arrangements for local audit, thus improving confidence and transparency in public finances.

We're pleased to see the Review recognise the complexity and importance of public audit and that all parties – including external auditors, regulators, standard setters, local authorities and audit committees – have a role to play in its development and sustainability.

Amongst the recommendations arising from the Review are:

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

The recommendations and findings will now be considered by the Secretary of State for Local Government.

Alongside the report, MHCLG have published a number of annexes intended to further inform the reader.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

2. NATIONAL PUBLICATIONS – OTHER

7. Nottingham City Council, Public Interest Report, August 2020

The external auditors of Nottingham City Council issued a Public Interest Report into the council's governance of Robin Hood Energy Ltd, an energy firm it set up in 2015 to tackle fuel poverty.

The Public Interest Report makes thirteen recommendations to improve governance and accountability of the company, and provides useful lessons for all Councils to learn on the governance of subsidiary companies.

<https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf>

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