

Appendix 1: Proposed Letter to External Auditor from Audit Committee Chair

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Dear Stephen,

Manchester City Council Audit of Financial Statements for Year Ending 31 March 2019

Please see attached responses to your letter dated 26 March 2019.

Yours sincerely,

Carol Culley, Deputy Chief Executive and City Treasurer

Appendix 1: Audit Committee Chair Responses

Question	Response
<p>How do you exercise oversight of management's processes in relation to:</p>	
<ul style="list-style-type: none"> Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments); 	<p>Via Audit Committee oversight of the draft and final accounts, outcome of financial reporting processes and the work of the External Auditor.</p>
<ul style="list-style-type: none"> Identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist. 	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>For financial accounts as above.</p>
<ul style="list-style-type: none"> 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 	<p>Via the communications strategy set out in the Counter Fraud Strategy.</p> <p>There are a range of mechanisms in place to promote positive business practice and ethical behaviour as part of Our People strategy that include:</p> <ul style="list-style-type: none"> Regular confirmations that officers have confirmed agreement to the Code of Conduct OurManchester Leadership and Management training programmes. Induction process for all new starters (refreshed in 2018/19) Regular communications to staff on key policies and procedural requirements. On line anti-fraud training and wider on-line learning packages for example around information security and equality. <p>The annual governance statement includes a service self assessment process that provides a level of assurance that Heads of Service has</p>

Question	Response
	<p>considered staff awareness of a range of policies and standards and this informs improvement actions each year.</p> <p>The Council's Monitoring Officer, DCE and City Treasurer, Deputy S151, Director of HROD, Head of Legal Services and Head of Audit and Risk Management in particular provide support to officers and Members and also provide oversight of the governance arrangements and through this they reinforce the need for high standards of behaviour and conduct.</p>
<ul style="list-style-type: none"> Communicating to you the processes for identifying and responding to fraud or error. 	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019.</p> <p>Audit Committee maintains oversight of the Anti Fraud and Corruption Policy, Whistleblowing Policy, Anti Bribery Policy and Anti Money Laundering Policy – that are available to staff via the intranet.</p> <p>Standards Committee receive an annual report on the efficacy of the Whistleblowing Policy</p>
<p>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 2018/19?</p>	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management - September 2018 and scheduled for September 2019. This report confirms any breaches of internal control during 2018/19 and actions taken to address these.</p>
<p>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 2018/19?</p>	<p>We rely on the work of the DCE and City Treasurer and the External Auditor in this regard. This includes Legal Services and Finance review of reports supporting key decisions.</p> <p>There are no specific matters of concern beyond civil claims and matters of general business (e.g. ICO complaints, issues raised with Ombudsman) that I am aware of.</p>
<p>Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Legal Services provide details of all outstanding claims against the Council at the end of September and year end to inform the final accounts.</p>

Question	Response
	<p>Details of all claims over £100k are provided to the Council's Monitoring Officer, DCE and City Treasurer, Head of Legal Services and Head of Audit and Risk Management monthly and an individual assessment of the likelihood and value of settlement is provided.</p> <p>The DCE and City Treasurer provides assurance that the assessment of claims and required reserves and provisions are reflected in the final accounts.</p>
<p>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?</p>	<p>We rely on the work of the DCE and City Treasurer and the External Auditor in this regard. However, based on the outputs from budget planning and monitoring processes, there are no factors that cause me or the Audit Committee to cast significant doubt on the Council's ability to continue as a going concern.</p> <p>This is implicit within budget monitoring and treasury management reviews, the ongoing assessment of reserves and provisions, as well as the annual accounts. These are used to inform financial planning and budget setting decisions which are reported to Executive, Audit Committee and Full Council.</p>

Question	Response
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018) to which the external auditor has access. None of the concerns reported to me or to Audit Committee indicate a systemic or significant fraud risk across the Council.</p>
<p>2. Do you suspect fraud may be occurring within the organisation?</p>	<p>Yes as above – given the size, scale and complexity of the Council I cannot provide complete assurance that there is no fraud (or theft, irregularity) occurring but I do not consider there is systemic or significant fraud risk across the Council.</p>
<p>3. Have you identified any specific fraud risks within the Council?</p>	<p>Yes – these are set out in the Internal Audit Annual Counter Fraud Report (September 2018)</p>

Question	Response
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	Yes – these are reviewed by management and independently by Internal Audit and risks reported to Audit Committee. The work of checking internal controls does inevitably identify areas for improvement and Audit Committee oversee actions being taken to address these.
5. If not where are the risk areas?	<p>Areas of risk are reported in the reports of the Head of Audit and Risk Management as summarised in the annual opinion as presented to Audit Committee (April 2019).</p> <p>Matters may also reflected in the Annual Governance Statement based on a robust holistic assessment of organisational governance arrangements and improvements are monitored through SMT and Audit Committee oversight of this process.</p>
6. How do you encourage staff to report their concerns about fraud?	The Council has a Whistleblowing Policy with associated contact number, email and on line reporting form; and details of the use of these by staff are reported in the Annual Counter Fraud Report (September 2018) and in an annual report to Standards Committee. Details of staff awareness and communications are reflected in the Counter Fraud Strategy.
7. What concerns about fraud are staff expected to report?	Any concerns over fraud within or against the Council – this could include theft, bribery, corruption etc
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	Related party relationships and transactions involving suppliers could give risk to risks of fraud but these are assessed alongside wider fraud risks as part of the Council's counter fraud and financial management arrangements.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Through a robust procurement process and through contract management and monitoring and a robust partnership governance framework, including the significant partnership register.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No – but I and the Audit Committee seek independent assurance in this regard from the External Auditor
11. Are there particular balances in the accounts where fraud is more likely to occur?	Income and payments present an element of risk of fraud/theft/loss but there are no particular balances I consider present a heightened risk of fraud.

Question	Response
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?	No – but I and the Audit Committee seek independent assurance in this regard from the DCE and City Treasurer and the External Auditor