



Audit Committee

Date: Tuesday, 13 February 2024

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Revised Supplementary Agenda** containing an additional item of business (marked Item 5) that was not listed on the original agenda. Note Item 5a was previously Item 5.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension.

There is no public access from the Lloyd Street entrances of the Extension.

Filming and broadcast of the meeting

Meetings of the Audit Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Audit Committee

Councillors - Lanchbury (Chair), Curley, Noor, Kilpatrick and Simcock

Independent Co-opted Members - Dr Downs and Dr D Barker

Revised Agenda

- | | |
|--|-----------|
| 5. Letters from those charged with Governance | 3 - 16 |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. | |
| 5a. External Audit Update | |
| A verbal report will be given by the Council's External Auditors (Mazars). | |
| 6. Audit Strategy Memorandum | 17 – 62 |
| The report of the Council's external auditors (Mazars) is enclosed. | |
| 7. Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty | 63 - 98 |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. | |
| 8. Internal Audit Assurance (Quarter 3) | 99 – 168 |
| The report of the Head of Audit and Risk Management is enclosed. | |
| 9. Outstanding Audit recommendations (Quarter 3) | 169 - 204 |
| The report of the Head of Audit and Risk Management is enclosed. | |

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

Donna Barnes
Tel: 0161 234 3037
Email: donna.barnes@manchester.gov.uk

This revised agenda was issued on **Friday, 9 February 2024** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

Manchester City Council
Report for Information

Report to: Audit Committee - 13 February 2024

Subject: Letters from those charged with Governance

Report of: Deputy Chief Executive and City Treasurer

Summary

As part of the audit of the accounts, the External Auditor requests information from the Deputy Chief Executive and City Treasurer and the Chair of the Audit Committee in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations.

This report provides the responses issued to the External Auditor from (A) the Audit Committee Chair and (B) Deputy Chief Executive and City Treasurer for the audit of the 2022/23 accounts.

Recommendations

Members are requested to note the letters to the External Auditor agreed by the Audit Committee Chair and the Deputy Chief Executive and City Treasurer.

Wards Affected:

None

Contact Officers:

Name: Carol Culley

Position: Deputy Chief Executive and City Treasurer

Tel.: 0161 234 3406

E-mail: carol.culley@manchester.gov.uk

Background documents (available for public inspection):

No specific reports other than referred to in the attached letters

A. Responses from the Chair of the Audit Committee
Council's processes and controls

Question	Response
How do you exercise oversight of management's processes in relation to:	
<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); 	Via Audit Committee oversight and approval of the draft and final accounts, outcome of financial reporting processes and the reporting of the work of the External Auditor.
<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. 	Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management – last reported to the Committee November 2023. This report included a copy of the Council’s Fraud Risk Assessment. For financial accounts as above.
<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 	There are a range of mechanisms in place to promote positive business practice and ethical behaviour as part of Our People strategy that include: <ul style="list-style-type: none"> Regular confirmations that officers have confirmed agreement to the Code of Conduct and key policies. Regular review and refresh of the Code and associated policies. This includes leadership of ‘people’ policies by the HR&OD service and reporting to Scrutiny Committees. Recent updates include for example workforce equalities and workforce strategy documents – October 2023 Recording of interests generally and with a specific additional focus in procurement activities. Leadership and Management training programmes. Induction process for all new starters Regular communications to staff on key policies and procedural requirements. Online anti-fraud training and wider on-line learning packages for example around information security, cyber security and equality/diversity/inclusion.

Question	Response
	<p>The Annual Governance Statement (AGS) includes a service self-assessment process that provides a level of assurance that Heads of Service have considered staff awareness of a range of policies and standards, this informs improvement actions each year. This is approved annually and included in the annual statement of accounts.</p> <p>The Council's Monitoring Officer, DCE and City Treasurer, Deputy S151, Director of HROD, Deputy City Solicitor 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 – November 2023.</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>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 2022/23? If so, please provide details.</p>	<p>Via the Counter Fraud Strategy and annual report of the Head of Audit and Risk Management (November 2023) as well as the annual audit opinion of the Head of Audit and Risk Management (June 2023). These reports would be used to confirm any breaches of internal control during 2022/23 identified through the audit process and actions being taken to address these. The reports do not highlight any significant or systemic breaches of internal control.</p>
<p>How do you gain assurance that all relevant laws and regulations have been complied with?</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>Are you aware of any instances of non-compliance during 2022/23? If so, please provide details</p>	<p>There are no specific matters of concern beyond civil claims and matters of general business (e.g. ICO reports, complaints,</p>

Question	Response
	issues raised with Ombudsman etc) that I am aware of.
Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details.	<p>I am advised that Legal Services provide details of all outstanding claims against the Council to inform the final accounts; and that 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>

Fraud

Question	Response
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2022 - 31 March 2023? (if yes, please provide details)	Yes – these are set out in the Internal Audit Annual Counter Fraud Report (November 2023) 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.
2. Do you suspect fraud may be occurring within the Council?	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 from reports being provided to me that there is systemic or significant fraud risk across the Council.
3. Have you identified any specific fraud risks within the Council?	These are reported to the Head of Audit and Risk Management and the Audit Committee and are set out in the fraud risk assessment included in the Internal Audit Annual Counter Fraud Report (November 2023)
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? (if yes, please provide details)	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

Question	Response
	Committee oversee actions being taken to address these.
5. If not where are the risk areas?	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. Matters may also be 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.
6. How do you encourage staff to report their concerns about fraud?	<p>All staff are encouraged to speak up on matters of concern, including fraud, and this is emphasised in the Council behaviours and Officer Code of Conduct.</p> <p>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 (November 2023). Details of staff awareness and communications are reflected in the Counter Fraud Strategy.</p> <p>The Council also has existing policies and procedural frameworks around complaints and employee dispute and officers who lead in these policy areas engage with Internal Audit to share possible concerns that might constitute whistleblowing.</p>
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?	<p>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.</p> <p>Declarations of interest is included as part of the procurement process for</p>

Question	Response
	officers and any potential conflicts are also declared by all Members.
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	From an Audit Committee perspective this is through the procurement process, 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.
12. Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the Council?	No – but I and the Audit Committee seek independent assurance in this regard from the DCE and City Treasurer and the External Auditor
13. Could a false accounting entry escape detection? If so, how?	None that I am specifically aware of, but I and the Audit Committee seek independent assurance in this regard from the DCE and City Treasurer, Finance Teams, Internal Audit and the External Auditor
14. Are there any external fraud risk factors, such as collection of revenues?	<p>There are a range of external fraud risks as set out in the annual fraud report (November 2023). These include areas where there is a financial incentive for external persons to commit fraud against the Council such as:</p> <ul style="list-style-type: none"> • Revenues / income – Council tax, business rates etc • Payment misdirection / interception • Claimant fraud – social care, housing, grants etc • Overclaiming for costs of goods / services
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	As a Council we are under pressure to the deliver the best possible outcomes for residents of the City but there is not inappropriate pressure to meet targets. There is pressure to meet targets but through sound practice and performance

Question	Response
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?	I am not aware of inappropriate pressures being applied to management or to Members or any incentives that could drive negative behaviours. As a Council we are under pressure to deliver the best possible outcomes for residents of the City but there is not inappropriate pressure to meet targets.
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council has an anti-Bribery Policy in place and on-line counter fraud training for staff. A key area of inherent risk for bribery is procurement and there are strong controls in place with declarations of interest, selection of appropriate panels and oversight from the Corporate Procurement and Commissioning Service in contract letting and award processes. At Audit Committee (and also via the Resources and Governance Scrutiny Committee) Councillors are provided with updates and independent assurance over the systems in place for procurement.

B. Responses from the Deputy Chief Executive and City Treasurer

Processes and controls

Question	Response
<p>What processes are in place at the Council to:</p> <ul style="list-style-type: none"> 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) 	<p>The Council has robust processes in place for budget setting and monitoring. This includes monthly in depth monitoring of high risks areas and regular reporting through to SMT and Executive, providing a high degree of oversight.</p> <p>The financial accounts are prepared in line with a clear timetable and set of requirements overseen by experienced, qualified finance professionals with addition rigour applied in areas of estimates and assumptions such as the determination of provisions and reserves. This process and timetable is shared with the External Auditor and their advice and input is sought on matters of complexity or key judgements. Specialist financial advisors are used as appropriate for particularly complex transactions.</p>

Question	Response
	<p>A lessons learnt exercise was carried out on the 2021/22 Final Accounts process with an action plan to address areas for improvement including to ensure accurate valuations can be carried out in line with accounting standards and the use of peer quality assurance / review / challenge of the accounts from within the finance team to help highlight possible anomalies or errors. Core financial systems form part of the focus of Internal Audit as part of the annual audit plan.</p> <p>Through review of budget monitoring and final accounts processes and reports, including the draft accounts, I have a high degree of confidence that the financial accounts are free from material fraud and error.</p>
<ul style="list-style-type: none"> Identify and respond to risks of fraud 	<p>Through regular reporting to me by the Head of Audit and Risk Management. I also receive copies of all investigation reports and updates on areas of risk identified on an ongoing basis. These matters are also discussed in my 121 meetings with the Head of Audit and Risk Management.</p> <p>The work of the Counter Fraud and Irregularity Team in Internal Audit is based on an organisational risk assessment and includes focus on internal fraud and error risk as well as external risks presented in areas such as payments, Council Tax Reduction, Business Rates and Housing. This risk assessment is updated for issues arising and feeds into the annual internal audit plan so that additional assurance can be obtained in areas of known risk.</p> <p>There is a clear policy framework and this includes regular refresh of policies and procedures including engagement with Trades Unions and Members via the Audit Committee. These are available to all staff on the intranet.</p> <p>All of this work is summarised in the Counter Fraud Strategy and included in the annual report of the Head of Audit and Risk Management – November 2023.</p>

Question	Response
	For financial accounts as above.
<ul style="list-style-type: none"> 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) 	<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 and other key policies and training. Development and update of the Code and governance handbook – including quick guide to the constitution OurManchester Leadership and Management training programmes; as well as briefings held with Senior Leadership Group. Induction process for all new starters 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, cyber security and EDI. <p>The annual governance statement includes a service self assessment process that provides a level of assurance to me that Heads of Service has considered staff awareness of a range of policies and standards and this informs improvement actions each year.</p> <p>Alongside my role, the Council's Monitoring Officer, 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"> Communicate to the Audit Committee the processes for 	This is done primarily through the Counter Fraud Strategy and annual report of the Head

Question	Response
<p>identifying and responding to fraud or error.</p>	<p>of Audit and Risk Management – November 2023.</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>How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2022/23?</p>	<p>The Council has a clear, transparent constitution that is subject to regular review and refresh to ensure that it remains up to date and reflects relevant laws and regulations. This process is overseen by the City Solicitor who has a key role through her service to seek assurance and provide support to ensure compliance with laws and regulations.</p> <p>Reports supporting decision making included oversight by Legal Services and Finance to ensure that decisions are lawful and in accordance with the Constitution.</p> <p>The Commercial Governance Team under the Deputy City Treasurer works closely with Legal and Democratic services in ensuring the legality of decision making. This team also supports the Commercial Board with senior representation from a range of key support services (procurement, commissioning, legal, finance, audit etc) focused on the commercial and legality aspects of contracts, companies and partnerships.</p> <p>The Council's policy framework and supporting procedures are designed to ensure compliance with laws and regulations in respect of such matters as employment law, equalities duties and data protection legislation.</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 there 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 to inform the final accounts. This is provided to my finance teams to inform the determination</p>

Question	Response
	<p>of provisions, reserves and any potential contingent liabilities.</p> <p>There is a pro-active approach to identifying potential future risks of claims and litigation which includes finance and legal services officers engaging with Directorate Management Teams and Chief Officers to understand potential future risks. Legal also work closely with the Insurance Team to identify and evaluate the risks associated with untoward events to assess the likelihood and scale of impact of potential litigation. These risks are assessed and recorded by Legal Services to inform the process of financial management and financial reporting.</p> <p>Details of all claims over £100k are provided to me and the Council's Monitoring Officer, 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. Where there is a financial risk attributed to such claims (or risks of claims) they are reflected in the financial accounts and subject to review by External Audit.</p>
<p>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 2023.</p>	<p>The process for identifying related parties is undertaken as part of the annual accounts and is informed by:</p> <ul style="list-style-type: none"> • Declarations of interest (senior officers and Members) • The Council's significant partnership register and work of the Commercial Board • Legal Services review of officer/member roles in companies and partnerships. <p>This process informs the disclosure of related party transactions.</p> <p>A list of all such related parties will be provided as required as part of the audit of the accounts and the totals of material transactions with related parties form a note to the accounts.</p>

Fraud

Question	Response
1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2022 - 31 March 2023? (if yes, please provide details)	Yes – these are set out in the Internal Audit Annual Counter Fraud Report (November 2023) 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.
2. Do you suspect fraud may be occurring within the Council?	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.
3. Have you identified any specific fraud risks within the Council?	Yes – these are set out in the Counter Fraud Strategy and the Internal Audit Annual Counter Fraud Report (November 2023). For 2022/23 this continued to include risks around Covid19-related grants administered by the Council but where the design of controls and roles of finance, revenues, assessments and internal audit has managed risk effectively. Other areas include procurement, cyber and payment/income processes.
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? (if yes, please provide details)	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 SMT and Audit Committee oversee actions being taken to address these.
5. If not where are the risk areas?	Areas of risk are included in the reports of the Head of Audit and Risk Management as summarised in the annual opinion presented to Audit Committee (June 2023). Matters may also be 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.

Question	Response
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 (November 2023). Details of staff awareness and communications are reflected in the Counter Fraud Strategy, and these include access to on-line awareness training and corporate communications. Policies are accessible on the intranet.
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 rise 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 and Commercial Board.
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No – I obtain assurance on this from the finance teams involved in the production of the accounting records and Statement of Accounts including the Deputy City Treasurer; and 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.
12. Are you aware of any assets, liabilities, or transactions that you believe have been improperly included or omitted from the accounts of the Council?	No – I obtain assurance on this from the finance teams involved in the production of the accounting records and Statement of Accounts; and independent assurance in this regard from the External Auditor
13. Could a false accounting entry escape detection? If so, how?	There are no specific areas I am aware of where a false accounting entry could escape detection – I obtain assurance on this from the finance teams involved

Question	Response
	in the production of the accounting records including review and approval of journals and production of the Statement of Accounts; and independent assurance in this regard from the External Auditor
14. Are there any external fraud risk factors, such as collection of revenues?	<p>There are no specific material external fraud risk factors that I am aware – fraud risks from external sources are considered as part of overall risk assessments and control procedures and could include but are not limited to:</p> <ul style="list-style-type: none"> • Misstatement of invoices / overcharging by suppliers • Money laundering in the revenues cycle • False claims by residents or other third parties. <p>I am assured over the policy frameworks and controls that operate in these areas</p>
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	<p>There is reasonable pressure to meet targets in terms of performance, outcomes and financial management but these are no more than I would expect given the Council's priorities and need to ensure a balanced budget. All managers have individual objectives and for senior staff these are reviewed by SMT and performance against these is reviewed by chief officers with support of HROD – this would pick up any unrealistic targets that might lead to inappropriate organisational or management pressure.</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?	As above
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	<p>The Council has a policy and procedure in place and is accessible to all staff via the intranet. All staff and key services have been made aware of this via corporate communications and is emphasised as part of briefings and audit support to key services such as Procurement and Legal Services.</p>

Audit Strategy Memorandum

Manchester City Council

Year ending 31 March 2023

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Item 5

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- 09** Materiality and misstatements

Appendix A Key communication points

Appendix B Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

This document is to be regarded as confidential to Manchester City Council. It has been prepared for the sole use of the Audit Committee [as the appropriate sub-committee charged with governance. 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. Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

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 under reference number C001139861. VAT number: 839 8356 73

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Manchester City Council for the year ending 31 March 2023. 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 Manchester City 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 and explains the implications of the introduction of the revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

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 +44 (0) 7977 261 873.

Yours faithfully



Suresh Patel

2 February 2024

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview

We are appointed to perform the external audit of Manchester City Council (the Council) for the year to 31 March 2023. 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 whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

Deputy Chief Executive and City Treasurer 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: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Deputy Chief Executive and City Treasurer's use of the going concern basis of accounting in the preparation of the financial statements.

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Value for money

We are also responsible for forming a commentary 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 6 of this report.



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 [include Internal audit, other key individuals where relevant] 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.



Wider reporting and electors' rights

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

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.

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Below is your audit engagement team and their contact details.



Pages 3

Suresh Patel
Engagement Partner

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We have made a change to your Engagement Senior Manager with Amelia Salford replacing Alastair Newall. Amelia joined the firm in 2019 and has 10 years' experience auditing large councils.

We provide continuity in the team with Suresh Patel remaining as your Engagement Partner.

In addition, the Council meets the criteria of a Major Local Audit under the Local Audit and Accountability Act 2014. As a result, as part of the firm's quality management arrangements we appoint an engagement quality reviewer (EQR) who works closely with Suresh and the team but has no direct engagement with the Council.

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach 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 activities 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.

The Council are classed as a Public Interest Entity (PIE) due to having listed debt. The balance of listing debt is reducing and is now less than £1m. However, the loan stock is unlikely to ever be completely eliminated. Consequently, the remaining listed debt means that the Council is classed a Public Interest Entity (PIE) and our audit approach reflects the extra requirements for a PIE.

Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

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

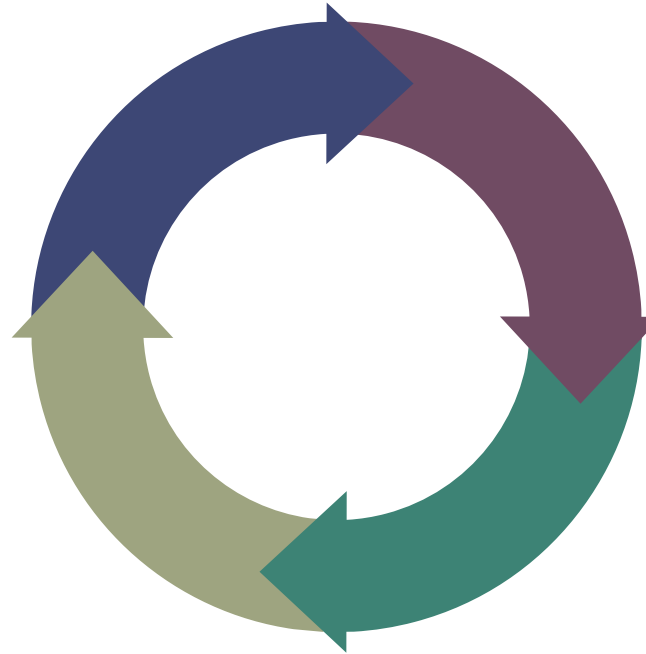
With the agreement of management, we commenced the 2022/23 accounts audit in November 2022 and have agreed a timetable that aims to complete the work by the end of March 2023. The timetable is dependent on the Council responding to audit queries promptly and effectively.

Planning and Risk Assessment: November-December 2023

- 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
- Risk assessment analytical procedures
- Determination of materiality

Completion: March 2023

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



Interim: November-December 2023

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls

Fieldwork: January-March 2023

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

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	PwC – NAO's consulting actuary
Non-Council Dwelling Property, Plant and Equipment valuation	Avison Young	Mazars in house valuation team
Council Dwellings valuation	Capita	N/A – local audit team
Surplus Assets valuation	Council valuation experts & Jacobs	Mazars in house valuation team
Investment Properties valuation	Colliers	Mazars in house valuation team
Heritage Assets valuation	Council curators	N/A – local audit team
Valuation of MAHL and DML land & buildings for Group consolidation purposes	Avison Young	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

There are no service organisations used by the Council which impact upon our planned audit approach.

Reliance on internal audit

Although we do not plan to place any reliance on the work of internal audit, where possible we will seek to understand their work to ensure the nature, extent and timing of our audit procedures is appropriate. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

3. Audit scope, approach and timeline

Group audit approach

The Council’s group structure for 2022/23 will consolidate the Council’s share of two other organisations: Manchester Airport Holdings Limited (MAHL) and Destination Manchester Limited (DML). 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 share of these two entities. The Council owns 50% of the voting shares in MAHL and classes its investment as a joint venture, accounting for its share of the equity in MAHL. The Council wholly owns DML and consolidates its share of the company on a line-by-line basis.

Our group audit approach reflects the size and complexity of the transactions from the two companies that are consolidated into the Council’s Group financial statements. Based on our planning discussions and review of previous year’s accounts, we consider that MAHL is a financially significant component and that our significant risk relating to the Pension Liability, as set out in section 5, is a risk that applies to MAHL as well as the Council. Based on our knowledge and discussions we consider that there is a significant risk within DML relating to the revaluation of DML’s land & buildings required for consolidation.

Our planned approach, based on our initial understanding of 2022/23 and the values reported in the draft financial statements, is to obtain assurance on the audit of MAHL from their external auditor, EY UK LLP (“the component auditor”). We issue group audit instructions to the component auditor and liaise closely with them through their external audit. After the conclusion of their audit of MAHL we review their audit files to obtain assurance on the accounting entries of which the Council consolidates its share. For the revaluation of the land and buildings in both MAHL and DML we will engage our in-house valuation team to review the methodology and assumptions adopted by the Council’s valuers (Avison Young). For all other entries within DML we intend to carry out 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.

Pensions

Entity	Significant by size	Location	Scope	Auditor
Manchester City Council	Yes	Manchester UK	Full audit carried out by group engagement team	Mazars - group engagement team
Manchester Airport Holdings Ltd	Yes	Manchester UK	Full audit carried out by component auditor	EY UK LLP
Destination Manchester Ltd	No	Manchester UK	Specified audit procedures on the revaluation of the component’s land & buildings Group level analytical procedures	RSM However, as per our approach the Mazars group engagement team will complete the specified audit procedures.

Item 6

3. Audit scope, approach and timeline

Testing Methodology

Financial statement areas	Key audit matter	Testing of internal controls	Substantive analytical procedures	Detailed substantive testing	Comments
Property, plant and equipment	●	○	○	●	Our approach to auditing property, plant and equipment has been detailed in section 5.
Investment properties	●	○	○	●	Our approach to auditing investment properties has been detailed in section 5.
Heritage assets	○	○	○	●	Our audit procedures will include: <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuer in the year. • Obtaining assurance on the appropriateness of the valuation basis applied.
Investments	○	○	○	●	We will obtain third party confirmation of balances.
Debtors	○	○	○	●	We will complete detailed sample testing of debtors to gain assurance over the balance.
Cash and cash equivalents	○	○	○	●	We will obtain third party confirmation of balances.
Borrowing	○	○	○	●	We will obtain third party confirmation of balances.
Creditors	○	○	○	●	We will complete detailed sample testing of creditors to gain assurance over the balance.
Net pensions liability	●	○	○	●	Our approach to auditing the net pension liability has been detailed in section 5.
Reserves	○	○	○	●	We review reserves for internal consistency and consider the movements between usable and unusable reserves in line with accounting practice.

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	Based on the audit procedures performed and the audit evidence obtained, we are required to evaluate whether sufficient appropriate audit evidence has been obtained regarding, and conclude on: <ul style="list-style-type: none"> • Whether, in our judgement, a material uncertainty related to going concern exists; and • The appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.
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"> • A description of the most significant assessed risk(s) of material misstatement; • A summary of our response to those risks including significant judgements applied; and • Where relevant, key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements.

4. Extended auditor's report

Paragraph heading in order	Summary of key content
Our application of materiality and an overview of the scope of our audit	<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.</p> <p>Overview of the scope of the audit covering the Council and components, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.</p>
Other information	<p>Responsibilities of the Deputy Chief Executive and City Treasurer and of the auditor for Other information included in the annual report.</p>
Responsibilities of the Deputy Chief Executive and City Treasurer for the financial statements	<p>Cross reference to the full Statement of the Deputy Chief Executive and City Treasurer's Responsibilities.</p>
Auditor's responsibilities for the audit of the financial statements	<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>
Value for money arrangements	<p>Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources including reference to:</p> <ul style="list-style-type: none"> • Matters we are required to report by exception • Responsibilities of the Council • Auditor's responsibilities
Matters on which we are required to report by exception	<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>

4. Extended auditor's report

Paragraph heading in order	Summary of key content
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**

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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 risks relevant 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

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement 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.

Key audit matters

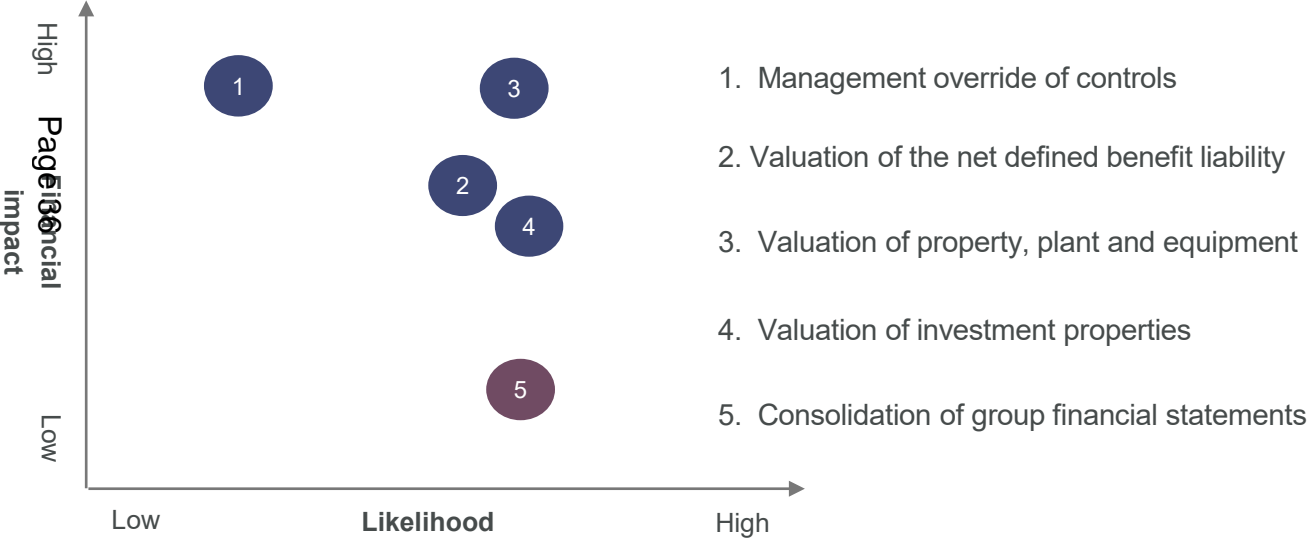
Key audit matters are defined as those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those 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. We have summarised our audit response to these risks on the next page.



- Key:
- Key audit matter
 - Risk or judgement not considered to be a key audit matter

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 Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
1 Page 37	<p>Management override of controls (Council & Group) 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, a sample of journal entries that meet our risk criteria and significant transactions outside the normal course of business or otherwise unusual.

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

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
2	<p>Net defined benefit liability (or asset) valuation (Council & Group) £372m net asset (2022/23 draft accounts)</p> <p>The net pension liability (asset) represents a material element of the Council balance sheet. The Council is a scheduled employer body within the Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the liability, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p>	○	●	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary. • Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This includes the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate. • 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. • 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. • 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. (Continued overleaf)

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

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
2	<p>Net defined benefit liability (or asset) valuation (Council & Group) Continued</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 circumstances. This could have a material impact to the Council net pension liability in 2022/23.</p>	○	●	●	●	<ul style="list-style-type: none"> • This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office. • 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 financial statements. • Reviewing the Council’s asset ceiling adjustment (given the increase in market yields) to ensure that it follows the Code and relevant accounting standards (IFRIC 14).

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

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
3	<p>Valuation of property, plant and equipment (Council & Group) £2,716m (2022/23 draft Council accounts) £2,756m (2022/23 draft group accounts)</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 & equipment revalued in a five-year cycle.</p> <p>The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. 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>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuers, and considering the appropriateness of the Council's instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuers in the year. • Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuers. • Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2022/23 are materially fairly stated. • Obtaining an understanding of the Council's approach to ensure that assets revalued through 2022/23 are materially fairly stated at the year end. • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations. • Comparing the valuations to our in-house valuation expert's estimate of the valuation. • Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023.

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

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
<p>3</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 41</p>	<p>Valuation of property, plant and equipment (Council & Group) Continued</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 government 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>The Council's two consolidated entities, MAHL and DML, account for their land & buildings at cost as permitted by their financial reporting framework. In consolidating their share of the two entities the Council must align the companies' accounting policies with their own. Consequently for the group consolidation exercise the Council engages an external valuer to value the land & buildings consistent with the Council's accounting policies.</p>	○	●	●	●	

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

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
4	<p>Valuation of investment properties £537m (2022/23 draft accounts)</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"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuer in the year. • Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuer. • Comparing the valuation to our in-house valuation expert's estimate of the valuation. • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.

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

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
5	<p>Consolidation of group financial statements</p> <p>The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group. The consolidation process is a complex process and involves material amounts of transactions and balances.</p> <p>Previous audits have identified audit adjustments to be made to the group consolidation process.</p>	○	●	●	●	<p>Our approach to auditing the Group Financial Statements has been detailed in section 3.</p> <p>Our procedures on the consolidation process will include:</p> <ul style="list-style-type: none"> • Reviewing the Council’s Group consolidation process. • Reviewing the Council’s judgements relating to the entities that are not consolidated into the Group Financial Statements. • Reviewing the method of consolidation of the consolidated group entities into the Group Financial Statements. • Agreeing the consolidated financial information to supporting evidence from the component financial statements.

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06

Section 06: **Value for money**

6. Value for money

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.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

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

- Page 45
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.

Although we have not fully completed our planning and risk assessment work, at this stage we have not identified any risks of significant weaknesses in arrangements that we would like to bring to the Audit Committee's attention. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

Our work to follow-up on previous recommendations

As part of our 2021/22 audit, we did not identify any significant weaknesses in the Council's arrangements.

07

Section 07: **Fees for audit and other services**

7. Fees for audit and other services

Fees for work as the Council's appointed auditor

We report below our initial consideration of additional fees based on our experience of auditing the Council over the last 3 years and changes in auditing requirements and the audit risks associated with the Council's and Group statement of accounts. We will discuss and agree additional fees with management during the audit.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Code Audit Work – Scale fee	£159,519	£159,519
Additional fees:		
Recurrent scope changes: Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes	£40,000-60,000	£48,000
Enhanced auditor reporting	£5,000-7,000	£5,625
VFM (Code changes)	£12,000-15,000	£12,500
Group audit	£20,000-25,000	£20,000
Specific accounting and quality issues	£20,000-40,000	£30,000
Revised ISA 315	TBC	-
Total fees	TBC	£275,644

Fees for non-PSAA work

We have not been separately engaged by the Council to carry out additional work to the PSAA appointed work.

08

Section 08:

Our commitment to independence

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8. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council 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 for 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 Suresh Patel in the first instance.

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

No threats to our independence have been identified.

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

09

Section 09: **Materiality and misstatements**

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9. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Group £'000s	Single Entity £'000s
Overall materiality	44,400	36,500
Performance materiality	28,860	23,725
Specific materiality – Senior officers remuneration	N/a	5
Trivial threshold for errors to be reported to Audit Committee	1,332	1,095

Materiality

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

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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.

9. Materiality and misstatements

Materiality (continued)

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 designed to detect individual errors, and also a level above which all identified errors will be reported to 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.

We expect to set a materiality threshold at 1.75% of gross expenditure at the surplus/deficit on provision of services based on the draft 2022/23 financial statements. This is approaching our maximum of 2% and reflects our view that readers of the accounts have a reasonable understanding of the extent of management judgement applied in preparing the accounts and the concept of materiality.

Based on the of gross expenditure at the surplus/deficit on provision of services based on the draft 2022/23 financial statements we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £36.5m (£29.5m in the prior year).

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

- Disclosure of Senior Officer Remuneration: £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 medium inherent risk, meaning that we have applied 65% of overall materiality as our level of performance materiality. This is around the mid-point of our range and reflects the extent of errors we have identified and reported in prior years.

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 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 £1.095m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh Patel.

Reporting to Audit Committee

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

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

A

Appendices

A: Key communication points

Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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Appendix A: 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:

- Audit Strategy Memorandum;
- 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;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- 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 A: 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.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee Audit planning and clearance meetings

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Appendix A: 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"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • 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 Audit Committee in the context of fulfilling their responsibilities. 	<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>

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Appendix A: Key communication points

Required communication	Where addressed
<p>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 Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.</p>	<p>Audit Completion Report and Audit Committee meetings</p>
<p>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:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>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.</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>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</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>

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Item 6

Appendix A: Key communication points

Required communication	Where addressed
Identification the key audit partner involved in the audit	Audit Strategy Memorandum
Description of nature, frequency and extent of communication with the Audit Committee	Audit Strategy Memorandum
Description of methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variations compared to the previous year	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Disclosure of quantitative level of materiality applied to the audit, any specific materiality levels applied to particular classes of transactions, account balances or disclosures, and qualitative factors considered when setting materiality	Audit Strategy Memorandum and/or Audit Completion Report as appropriate

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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Audit Partner: Suresh Patel

Audit Senior Manager: Amelia Salford

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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.

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Manchester City Council

Report for Resolution

Report to: Audit Committee – 13 February 2024

Subject: Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report explains the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2023/24 annual accounts.

Recommendations

It is recommended that the Audit Committee:

- 1) approve the accounting concepts and policies that will be used in completing the 2023/24 annual accounts.
 - 2) note the critical accounting judgements made and key sources of estimation uncertainty.
-

Wards Affected: All

Environmental Impact Assessment -the impact of the issues addressed in this report on achieving the zero-carbon target for the city	No impact
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	No impact
Manchester Strategy outcomes	Summary of how this report aligns to the Our Manchester Strategy/Contribution to the Strategy

A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The annual accounts are a key source of assurance to demonstrating the effective use of resources to deliver the councils strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue None

Financial Consequences – Capital None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

2023/24 Cipfa Code of Practice on Local Authority Accounting in the United Kingdom.

1. **Introduction and Background**

- 1.1. The Deputy Chief Executive and City Treasurer (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing the Statement of Accounts, the Deputy Chief Executive and City Treasurer has to select suitable accounting policies and then apply them consistently and make judgements and estimates that are reasonable and prudent.
- 1.2. In line with best practice, this report presents the accounting policies that will be used in the preparation of the 2023/24 accounts. It also explains the requirement to include notes on critical accounting judgements and key sources of estimation uncertainty.

2. **Accounting Policies**

- 2.1. The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These accounting policies have to be disclosed as a note to the annual accounts.
- 2.2. The key changes to accounting standards are set out in the update of the 2023/24 Code, being amendments to:
IAS 8 (Accounting Policies changes in Accounting Estimates and Errors) – now provides a definition for 'accounting estimates. This clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.
IAS 1 (Presentation of Financial Statements) provides further updates to the scope of materiality. This will assist when producing the accounts as it provides more focused and proportionate information on accounting policies.
- 2.3. Amendments to Section 4.1 of the Code to allow the continuation of the adoption of the temporary relief, so that authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets, (to be disclosed in the accounts).
- 2.4. The Council's accounting policies have been reviewed to ensure that they are all relevant to be used in the preparation of the 2023/24 annual accounts and are attached at Appendix 1.
- 2.5. The implementation date for International Financial Reporting Standards (IFRS) 16 Leasing was reviewed as part of the emergency consultation on the temporary changes to the accounting code for 2021/22 and 2022/23 accounts. The consultation proposal approved that mandatory implementation has been

deferred until 1 April 2024 for the 2024/25 accounts. The 2023/24 Code does allow for adoption as of 1 April 2023. The Council has decided against early adoption of this standard.

3. Critical Accounting Judgements

- 3.1. In accordance with International Accounting Standards and the Code, the Council is required to disclose those judgements that management have made in the processing of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. The notes to the accounts contain details of the critical accounting judgements that have been made in completing the annual accounts. These are shown in Appendix 1.
- 3.2. The critical judgements taken include which schools' property, plant and equipment and Private Finance Initiative (PFI) related assets should be included on the Council's balance sheet, whether a property should be classed as an investment property, classification of financial assets within financial instruments, treatment of transactions within the Pooled Budget with the Manchester University NHS Foundation Trust (MFT), Lender Option Borrower Option (LOBO) Loans and whether an organisation should be included within the Council's group accounts.

4. Key Sources of Estimation Uncertainty

- 4.1. In preparing the annual accounts there are areas where estimates are made. These include:
- Revaluation of property, plant and equipment and investment properties,
 - provision for business rate appeals based on claims received and previous experience of the outcome of appeals,
 - the liability for future pension payments which is estimated by qualified actuaries.
- 4.2. The key sources of estimation uncertainty are shown in Appendix 1

5. Recommendations

- 5.1. The recommendations appear at the front of this report.

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Appendix 1

Section 1 Accounting Concepts and Policies

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end 31 March 2024. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.1. Underlying Assumptions

1.1.1 Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future. The Council has based its considerations of Going Concern around the continuous provision of service.

The Council currently consolidates its investments in Manchester Airport Holdings Limited (MAHL) and Destination Manchester Limited (DML) in its Group financial statements. In considering the going concern of the Council and the Group the Council has taken into account the going concern of those two entities.

1.2. Accounting Policies

1.2.1 Property, Plant and Equipment (PPE)

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year (e.g., land and buildings).

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Council, and the services it provides, for more than one financial year. Expenditure on repairs and maintenance is charged to revenue as it is incurred.

Capital expenditure is initially added to the value of an asset but if expenditure is not considered to increase the value of the asset the value is reduced by this expenditure. Where applicable, items of property, plant and equipment that have incurred significant capital expenditure (in excess of £500,000) during the year, are generally subject to revaluation by the Valuers commissioned by the Council.

Measurement

Property, plant and equipment are initially shown on the Balance Sheet at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst the assets are under construction.

The Council's property, plant and equipment assets are valued on the balance sheet using methods of valuation on the basis required by CIPFA and in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS).

Land and buildings and other operational assets are valued at current value, determined as the value that would be paid for the asset in its existing use. Where enough market evidence is not available, for example schools and leisure centres, current value is estimated at depreciated replacement cost, using the modern equivalent asset method. Short life assets, such as vehicles, are held at depreciated historical cost as a proxy for current value on the grounds of materiality.

Council dwellings are valued at existing use value – social housing.

Community assets are measured at depreciated historical cost.

Assets under construction are held at historical cost and are not depreciated until brought into use.

Surplus assets are valued at fair value based on the highest or best use of the asset from a market participant's perspective. These are assets that are not in use by the Council but do not meet the definition of investment property or assets held for sale. Surplus assets mainly relate to land that is being held for regeneration purposes and future sale.

Council dwellings are revalued annually. Other assets included in the Balance Sheet at current or fair value are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years. Valuations are undertaken during the year by internal council Valuers and external valuers commissioned by the Council. The external valuers provide indexation factors for the percentage increase in value from the date of the last valuation to 31 March 2023 for each category of asset and these are applied to the assets where material.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where the increase is reversing a previous loss charged to the Deficit / Surplus on the Provision of Services on the same asset, the increase in valuation is credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified and there is a balance of revaluation gains in the Revaluation Reserve relating to the asset, the value of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is a nil or insufficient balance in the Revaluation Reserve the value of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where revaluation gains or losses are credited or charged to the Comprehensive Income and Expenditure Statement, they are reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Revaluation gains arising before that date are included in the Capital Adjustment Account.

The land and building elements of all properties are valued separately and treated as separate assets for accounting purposes. In addition to this and subject to an appropriate materiality level, any individual component within buildings which has a cost that is significant in relation to the total cost of the building is accounted for separately unless the components have a similar useful life to the main building.

In considering assets for potential componentisation (i.e., the significant elements of the asset are valued separately) the Council has included all general fund buildings with a carrying value of more than £2m. Within each building the Council has set the threshold for recognition of components as 20% of the cost of the building. The following components have been valued separately in council dwellings – main building, roof, windows, external doors, kitchens, bathrooms, heating and electrical systems.

1.2.2 Depreciation on Property, Plant and Equipment

Depreciation has been calculated using a straight-line method (i.e., apportioned equally over each year of the life of the asset) for all assets. The estimated useful life of each

property is determined by a qualified valuer. Land and assets not yet available for use (assets under construction) are not depreciated. Each component of property, plant and equipment that is significant in relation to the total cost of the asset is depreciated separately based on its estimated useful life.

Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

Depreciation has been charged to the Housing Revenue Account (HRA) in accordance with proper practices and credited to the Major Repairs Reserve (MRR).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

1.2.3 Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

The carrying amount of a replaced or restored part of an asset is derecognised with the carrying amount of the new component being recognised.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Sale proceeds from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Any revaluation gains on the Revaluation Reserve, for assets disposed of or decommissioned, are transferred to the Capital Adjustment Account.

Income from an asset disposal in excess of £10,000 is classed as a capital receipt. Capital receipts from Right to Buy (RTB) sales of council dwellings are pooled between the Council and central government. The net RTB receipts received (after reduction of regional transaction costs and allowable debt) are split based on a share ratio provided by central government. If the government share of capital receipts, as calculated by the Office of Budget Responsibility, is exceeded the Council retains the remainder of the receipts to be used for the provision of new homes. If these receipts are not used within three years, they must be returned to the government (with interest at 4% above base rate). Non-RTB receipts are exempt from the capital pooling rules.

The balance of capital receipts is credited to the Capital Receipts Reserve and used to fund new capital expenditure or repay debt.

The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

1.2.5 Highways Infrastructure Assets

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed by the Highways Asset Manager using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	21 years
Footways and cycle track	40 years

Structures (bridges, tunnels and underpasses)	73 years
Street lighting	25 years
Street furniture	25 years
Public Realm	50 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

1.2.6 Private Finance Initiatives (PFIs) and Similar Contracts

PFI and similar contracts (service concessions) are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under the contract and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council holds the Property, Plant and Equipment used under the contracts on its Balance Sheet.

The original introduction of these assets onto the balance sheet is matched by the recognition of a deferred liability for amounts due to the operator to pay for the assets. Where the assets come into use at different stages the asset and matching liability are introduced in stages. For some PFI schemes the liability is written down by an initial capital contribution. This capital contribution was either in the form of a cash contribution or assets transferred to the contractor.

Property, Plant and Equipment relating to PFIs and similar contracts, recognised on the Balance Sheet, is revalued, depreciated and impaired in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the operator each year are analysed as follows:
Value of the service received (including facilities management) during the year - debited to the relevant service line in the Deficit / Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Interest cost based on the outstanding deferred liability - debited to the Financing and Investment Income and Expenditure line in the Deficit / Surplus on the Provision of Services.

Payment towards liability - debited to the deferred liability on the Balance Sheet thus reducing the liability. For non-HRA contracts this reduction in the charge in the Deficit / Surplus on the Provision of Services is replaced by an equivalent amount of Minimum Revenue Provision (MRP) in the Movement in Reserves Statement. For HRA contracts this reduction in unitary charge is reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Lifecycle replacement costs - these are posted to the Balance Sheet as a prepayment and then included as additions to Property, Plant and Equipment when the works are carried out. Where lifecycle costs can be identified as capital in nature they have been recognised as capital expenditure. This expenditure relates to enhancements or replacement of assets.

Government grants received towards the funding of general fund PFI related payments are shown within the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement. HRA PFI related grants are shown within the HRA income line in the Comprehensive Income and Expenditure Statement.

1.2.7 Heritage Assets

Heritage assets are those assets that are intended to be preserved for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include civic regalia, museum and gallery collections and works of art. Community assets (including parks and cemeteries) are not heritage assets, but are accounted for as property, plant and equipment.

Operational heritage assets (i.e., those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are accounted for as operational assets rather than heritage assets and valued in the same way as other assets of that general type (e.g., buildings such as the Central Library).

Heritage assets are shown in the Balance Sheet at market value where this is available. For those assets where no market value is available the insurance valuation is used. Where a valuation is not available and cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements the assets are held at cost. Where the cost information is not available, they are not recognised in the balance sheet.

Depreciation is not provided for as these assets are considered to have infinite lives.

Any impairment is recognised and measured in accordance with the Council's general policies on impairment (policy 7.2.8). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the de-recognition of property, plant and equipment (policy 7.2.3).

1.2.8 Investment Properties

Investment Properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to provide services by the Council or is held for sale.

Investment Properties are initially measured at cost. After initial recognition they are measured at fair value - highest and best use. The fair value reflects market conditions at the balance sheet date. A gain or loss arising from a change in the fair value of investment property is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. Investment Properties are not depreciated but are revalued annually according to market conditions at year end.

An investment property is derecognised on disposal. Gains or losses arising from the disposal are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are reversed in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds over £10,000 to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment income line in the Other Comprehensive Income and Expenditure Statement.

1.2.9 Schools

In accordance with the Code of Practice on Local Authority Accounting the Council has assessed the legal framework underlying each school. The Council controls the non-current assets of community schools and foundation schools, vested with the governing body as a Trustee, as future economic benefits associated with the assets will flow to the Council and therefore the land and buildings of those schools are shown on the Council's balance sheet. The land and buildings of voluntary aided, voluntary controlled and foundation schools, where the trust is not the governing body are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council.

Any schools held on the balance sheet, which are transferred to academy status form part of the loss on disposal of non-current assets. This includes schools managed under a PFI contract.

Capital expenditure on schools shown on the Council's balance sheet is added to the value of those schools. Capital expenditure on schools not on the Council's balance sheet is treated as REFCUS (Revenue Expenditure Funded from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement as part of the Children's Services line. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

All revenue income, expenditure, assets and liabilities of maintained schools, after the removal of transactions between schools and the Council, are included in the Council's single entity accounts.

Individual schools' balances are included in the balance sheet of the Council as any unspent delegated schools budget remains the property of the Council although these can only be spent by the school.

The Dedicated Schools Grant (DSG) is allocated between the central council budgets and budgets allocated to individual schools (delegated school budgets). Expenditure from central council budgets and delegated schools' budgets is charged to the Comprehensive Income and Expenditure Statement as part of the Children's Services line.

Accounting regulations were introduced relating to the Dedicated Schools Grant deficit balances for three years for accounting periods beginning 1 April 2020. The financial statements continue to be produced under IFRS with the DSG being accounted for in the normal way (through the CIES). A deficit must be carried forward to be funded from future DSG income. An accounting adjustment is then made via the MIRS to move any DSG deficit balances to an unusable reserve established for that purpose.

1.2.8 Impairment

Assets are reviewed for impairment at the end of each reporting period. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g., fire damage).

The amount of impairment is charged to the Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset. Thereafter the impairment is charged to the Deficit / Surplus on the Provision of Services.

This charge is reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed (for example if the damage is made good), the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for

depreciation that would have been charged if the loss had not been recognised.

1.2.10 Provision for Redemption of Debt

The Council is required to make provision for the repayment of an element of the accumulated General Fund capital expenditure, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy (which details the basis of the provision) is agreed annually by the Council within the Treasury Management Strategy. For all non-HRA capital expenditure funded by supported borrowing, otherwise known as supported capital expenditure, the Council's policy is to charge 2% of the capital financing requirement.

For all non-HRA unsupported borrowing MRP is calculated using the estimated life of the asset. Dependent upon the nature of the capital expenditure, a straight line (equal amount of MRP over the life of the asset) or annuity method (equal amount of MRP plus interest over the life of the asset) is used to link MRP to the future flow of benefits from the asset.

MRP starts in the year after the capital expenditure is incurred or in the case of new assets, in the year following the asset coming into use.

MRP is provided for non-HRA PFI related assets on the Council's Balance Sheet. This equates to the amount of unitary charge charged against the deferred liability on the Balance Sheet.

MRP is provided for assets held under finance leases (including embedded leases) where the Council is the lessee. This equates to the amount of the lease payment charged against the deferred liability on the Balance Sheet.

There is no MRP charge to the Housing Revenue Account.

1.2.11 Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Deficit / Surplus on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and external contribution funding of REFCUS expenditure is shown in policy 1.2.16c.

1.2.12 Non-Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continued use it is reclassified as an asset held for sale. Before an asset can be classed as held for sale it must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale should be expected to be completed within one year of the date of classification. In situations where it is not necessary to carry out active marketing, for example because the Council is able to identify prospective purchasers willing to pay a reasonable price without marketing (such as transfers to a joint venture) or because a buyer initiates the transaction (such as right to buy sales), this test is not applicable. Where events or circumstances extend the period beyond one year and there is sufficient evidence that the Council remains committed to the plan to sell the assets they are classed as long-term assets held for sale.

The held for sale asset is carried at the lower of the carrying amount or the fair value less costs to sell. Where this results in a loss in value this loss is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Once an asset is classed as held for sale it is no longer depreciated.

If assets no longer meet the classification as assets held for sale they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classed as held for sale) or their recoverable amount at the date of the decision not to sell.

1.2.13 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when cash payments are made or received.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed.

An impairment loss allowance is made for debts that are not considered to be collectable – referred to as impairment of financial assets. This allowance is calculated based on the expected amount that will not be collected for differing types of debt applied to the amount of outstanding debt. The balance of debtors on the Balance Sheet is reduced by the amount of allowance made.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the

relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

1.2.14 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than twenty-four hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that form an integral part of cash management.

1.2.15. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation, but the timing of the transfer is uncertain. Examples include a legal case that will probably result in a payment of compensation.

Contributions to provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation based on the best estimate of the likely settlement. When payments are made, they are charged to the provision. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a transfer of economic benefits will not be required the contribution to the provision is reversed and credited back to the service line.

Provisions are classified as either short or long-term depending on the likely date of settlement.

1.2.16 Government Grants and Contributions

Government grants and contributions are not recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and the grant or contribution will be received. Grants and contributions are credited to the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. Conditions are stipulations that must be satisfied, or the grant or contribution must be returned. Monies advanced as grants and contributions for which conditions are not yet met are carried in the Balance Sheet

as receipts in advance.

a. Revenue Grants and Contributions

Revenue grants and contributions are credited to the relevant service line for specific grants and the Taxation and Non-Specific Grant Income line for grants that cover general expenditure (e.g., New Homes Bonus Grant) except where the grant or contribution has a condition that has not been met. When the specific grant has been recognised but the expenditure relating to it has not been incurred the Council has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

b. Capital Grants and Contributions

Capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they are used to fund capital expenditure.

c. Grants and Contributions attributable to Revenue Expenditure Funded from Capital under Statute (REFCUS)

These grants and contributions are credited to the relevant service line in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not been met. The amount of the grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they are used to fund expenditure.

1.2.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the

expenditure on the General Fund balance.

Certain reserves are kept to manage specific accounting treatments and do not represent usable resources for the Council. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

1.2.18 Revenue Recognition

Revenue is a subset of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Revenue is recognised when the performance obligations in a contract have been satisfied. This recognition can be over time when the service recipient simultaneously receives and consumes the benefits (e.g., home care services) or at a point in time.

1.2.19 Value Added Tax (VAT)

VAT is only included in expenditure, either revenue or capital, to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

1.2.20 Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease, or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific asset. This is referred to as an embedded lease.

Finance Leases

Lessee

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its current value at the time of inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability.

The deferred liabilities are classified as either short or long-term in line with the lease repayments.

Operating Leases

Lessee

Leasing payments for operating leases are charged to revenue on a straight-line basis over the term of the lease even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease) and are shown within service expenditure in the Comprehensive Income and Expenditure Statement.

Lessor

Rental income from operating leases is recognised on a straight-line basis over the period of the lease even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease) and is shown in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Assets held for use as operating leases are recorded as assets in the Council's Balance Sheet.

From 1st April 2024 the Council will adopt the IFRS16 leasing standard, which will effectively remove the distinction between finance and operating leases, with all leases being considered finance. To support this transition, the 2023/24 accounts will include disclosures which assess the impact on the accounts as at the balance sheet date had the standard been adopted.

1.2.21 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year end. They include such benefits as wages and salaries, paid annual leave, flexi time leave and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the

Council. An accrual is made for the cost of holiday entitlement (including flexi time leave), earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following financial year, being the period in which the employee takes the benefit and includes employer national insurance and pension contributions. The accrual is charged to the Deficit / Surplus on the Provision of Services but then reversed through the Movement in Reserves Statement to the Short-Term Accumulated Absences Account so that holiday absences are charged against Council Tax or Housing Rents in the financial year in which the absence occurs.

1.2.21 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance and are shown on an accruals basis in the Deficit / Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer or when it recognises the costs for a restructuring that involves termination benefits.

Where the employee makes the decision, the liability is recognised at the earlier of when the employee accepts the offer or when a restriction on the Council's ability to withdraw the offer takes effect.

1.2.22 Post-Employment Benefits

a. Teachers' Pension Scheme

The payment of statutory pensions to former teachers is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). Contributions from teachers together with the employer's contribution are paid by the Council. The arrangements for this scheme mean that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's Services line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pension liability.

b. National Health Service (NHS) Pension Scheme

Under the arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the Primary Care Trusts to local authorities and had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme

on transfer at 1 April 2013.

The NHS pension scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. This means that liabilities for benefits cannot be identified to the Council. The scheme is therefore accounted for as a defined contribution scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Adult Social Care line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable in the year.

c. Local Government Pension Scheme

The Council pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefits scheme administered by Tameside Metropolitan Borough Council from whom an Annual Report is available.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high-quality corporate bonds, government gilts and other factors.

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension liability is analysed into the following components: The current service cost (the increase in the liability as a result of pension earned by Council employees in the year) is charged to the net cost of services.

Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown within council wide items as they are costs that are not attributable to a particular service. An example of when past service costs would occur is where there was a change in the basis of up-rating annual pensions.

Gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) are shown as council wide items.

The effect of business combinations and disposals and liabilities following the transfer of former Northwards staff back to the Council are also shown as council wide items.

The net interest on the net defined benefit liability, i.e., net interest expenses for the period that arises from the passage of time, is shown within the Financing and Investment Income and Expenditure line.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the defined benefit liability;
- change in demographic assumptions re-measurements; and
- actuarial gains and losses on changes in financial assumptions – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their financial assumptions (such as percentage increase in salaries) are shown within Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund and HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and HRA of being required to account for retirement benefits based on the cash flows rather than as benefits are earned by employees. The balance will be presented differently as a result of the upfront payment as set out below:

Financial Instruments

1.2.23 Financial Assets

Financial Assets e.g., investments and debtors are classified into three types – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The categorisation of financial assets into these types is dependent on the reason for holding these assets (to collect cash flows, to sell assets or achieve objectives by other means).

Financial assets are brought onto the balance sheet at fair value when the Council becomes a party to contractual provisions.

Amortised Cost

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest and they are held to generate cash flows (e.g., investments of surplus cash with the government's debt management office or loans to third parties).

The interest received on these assets is spread evenly over the life of these instruments.

Any gain or loss in the value of these assets is recognised in the net surplus / deficit on the net provision of services at the point of de-recognition (disposal) or reclassification.

Fair Value through Other Comprehensive Income (FVOCI)

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest, but they are held to collect cash and sell the assets (e.g., money market funds).

The interest received on these assets is spread evenly over the life of these instruments.

Changes in the fair value of these assets are charged to Other Comprehensive Income and Expenditure. Cumulative gains and losses are charged to the surplus / deficit on provision of services when they are disposed of.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed to an unusable reserve - the Financial Instruments Revaluation Reserve.

Fair Value through Profit and Loss (FVPL)

These assets relate to financial instruments where the amounts received relating to them are not principal and interest (e.g., equity investments).

Dividends received are accounted for at the point they are declared.

Charges in fair value are charged to the surplus / deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account.

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g., a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be

held in the Financial Instruments Revaluation Reserve.

Credit loss

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e., financial instruments measured at amortised cost or FVOCI unless they have been designated as such). This does not apply where the counterparty is central government or another local authority. At each year end the loss allowance for a financial instrument is calculated as equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If at year end the credit risk has not increased significantly since initial recognition the loss allowance is measured at an amount equal to twelve month expected credit losses. Where the financial asset was treated as capital expenditure any losses will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

The Council has made several loans to individuals at less than market rates of interest (these are known as soft loans). When the loans are made the amount of interest foregone over the life of the loan is charged to the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) and the outstanding principal is reduced on the Balance Sheet. This represents the present value of the interest that will be foregone over the life of the loan agreement. Statutory provisions require that the impact of the soft loans on the General Fund balance is the interest receivable in the year, so the amount of foregone interest charged is managed by a transfer from the Financial Instruments Adjustment Account to the Movement in

Reserves Statement.

7.2.24 Embedded Derivatives

The Council has given equity mortgages and loans to individuals to assist with the purchase and improvement of properties. The repayments of these are based on a proportion of the value of the property in a number of years. This type of loan is classed as an embedded derivative as the amount of repayment is linked to future property values. When these mortgages and loans are granted, long-term debtors and deferred capital receipts are written onto the balance sheet. At the end of each financial year the long-term debtors and deferred capital receipt are adjusted in line with the change in property values.

1.2.25 Financial Liabilities

Financial liabilities (e.g., borrowings and creditors) are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Council. For instance, when the Council takes out a

loan, the advance of cash from the lender initiates the obligation to repay at some future date, and the loan would be recognised as a liability on the Balance Sheet when the advance is received.

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised).

For many of the borrowings that the Council has, this means that the amount shown in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan on the balance sheet. The amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Where the Council is in receipt of loans that are interest free or at less than prevailing market interest rates if material, the effective interest rate is calculated so that the value of the financial assistance to the Council by the lender is separated from the financial cost of the transaction. This gain is calculated by working out the net present value of all future cash payments using the interest rate for a similar loan taken by the Council. This results in a lower figure for the fair value of the loan with the difference from the loan received treated as a government grant. This gain is reversed out in the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread

over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement. Following the HRA debt settlement there are no outstanding HRA premiums and discounts.

1.2.26 Contingent Assets and Liabilities

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (as applicable) where it is probable that there will be an inflow of economic benefits or service potential.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts as applicable.

1.2.27 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively (i.e., in the current and future years affected by the change) and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

1.2.28 Material Items of Income and Expenditure

Where items of income and expenditure are material, their nature and amount are disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.2.29 Events after the Balance Sheet Date

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted (e.g., settlement of a court case that confirms the amount of obligation at the balance sheet date). Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted (e.g., significant decline in market investments after 31 March). This is known as a non-adjusting event and is disclosed as a note to the accounts. Events identified after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.2.30 Interests in Companies and Other Entities

The Council has material interests in companies and other entities and therefore group accounts have been prepared for the Council and its material interest in subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest, power or power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single entity accounts the Council's interests in those companies included in its group accounts are recorded as long-term investments at cost.

1.2.31 Joint Operations

Joint Operations are arrangements where the parties are bound by a contractual arrangement, have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. The Council recognises its share of the assets, liabilities, income and expenditure of the joint operation in its single entity accounts.

1.2.32 Local Taxation

The Council, as a billing authority act as an agent, collecting Council Tax and national non-domestic rates (NNDR) on behalf of the major preceptors and, as principals,

collecting Council Tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of Council Tax and NNDR collected could be less or more than predicted.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.2.33 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Section 2. Critical Accounting Judgements

In applying the accounting policies set out in section 1 the Council must make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

2.1 Schools Non-Current Assets

The Council has assessed the legal framework underlying each type of school. Community schools' property, plant and equipment are owned by the Council and remain on the balance sheet as future economic benefits associated with the assets will flow to the Council.

The plant, property and equipment of voluntary aided, voluntary controlled and foundation schools are owned and controlled by the religious body or the trustees of the schools and are therefore not shown on the balance sheet of the Council unless the trustees are the governing body.

The Council does not control the schools' property, plant and equipment owned by the religious bodies or the trustees, there has been no past events which have transferred the ownership or control of the property, plant and equipment to the Council and any future benefits from the property, plant and equipment would be for the benefit of the religious body or trustee and not the Council.

An asset must be controlled by the Council for that asset to be recognised in the single entity accounts. Usage of the asset does not demonstrate control in form or substance without rights that are either legal or substantive.

The religious bodies or trustees own the assets, there has not been a reassignment of those assets to the Council and the rights to the asset are still maintained by the religious body or the trust. The religious bodies or trustees have a legal right to take back these assets.

The religious bodies or trustees have provided a licence for the Council to use the asset however these licenses are not provided in a written form. These licences do not create control of the asset by the Council. The religious bodies or trustees assert their continued control over the asset by permitting the asset to be used for precisely the purpose that the school wishes by the objectives of the religious bodies or trustees being the same as the governing bodies.

The religious bodies or trustees have decided that their asset is to be used as a school and therefore continue to have the rights to the resources in the asset. The continued agreement to permit the schools to use the asset means that the religious bodies or trustees are perpetually reasserting their control, and this has not been passed to the school.

The right of termination of the arrangement at any time by the religious body or trust provides evidence that the risks and rewards of ownership of the asset have not transferred to the Council.

Details of the value of schools' land and building assets are shown in the notes to the accounts.

2.2 PFI and Similar Arrangements

The Council is deemed to control the services provided via its PFI arrangements and to control the residual value of the assets at the end of the contract. The accounting policy for PFIs and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. The operators' models were examined to identify the service element of the unitary charge. Where that charge could not be clearly separated the relevant costs were obtained from the models and a margin was applied to the costs to provide an amount for the service costs. The margin used was based on advice received from expert external advisors. The service element of the unitary charge is inflated annually by an agreed indicator (e.g., RPI) as per the contract.

The implicit interest rate (IIR) was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset. The fair value of the asset is taken as the construction or refurbishment costs of the scheme. The IIR calculated is compared to the closing swap rate in the financial model to check the reasonableness of the assumptions made.

2.3 Investment Properties

The Council has reviewed all assets to ensure they meet the accounting policy for investment properties (i.e. they are solely used to earn rentals and / or for capital appreciation) and as a result, assets are recognised as Investment Properties in the Council's Balance Sheet.

2.4 Classification of Financial Assets

Under IFRS9 (Financial Instruments) the Council's equity holdings would be classified as valued at Fair Value through Profit and Loss. However, it is the Council's view that the majority of its equity instruments are strategic investments (i.e., are not held for trading) and designating these at Fair Value through Other Comprehensive Income results in a reasonable and reliable accounting policy for the investment.

2.5 Pooled Budgets

The new Pooled Budget arrangements commenced on 1 April 2021. The accounting arrangements for the Pool are dependent on whether the Council, has control of the fund. The agreement with the Manchester University NHS Foundation Trust (MFT) states that relevant decisions must have unanimous agreement, all members of the fund hold providers to account for delivery of services and risks are borne in line with the agreement. The Council's view is that the Pool should be accounted for as a joint operation and as a result account for its share of the fund's assets, liabilities,

expenditure and income.

2.6 Lender Option Borrower Option (LOBO) loans

LOBO loans contain options which allow, on specific dates, the lender to alter the interest rate on the loan, and the Council then has an option to decide to either accept the new rate or repay the loan without penalty. These loans have a fixed rate of interest, but the options mean it could change over the life of the loan. This means that there cannot be any certainty as to whether the loans will be paid early, and therefore the Council has treated these loans as fixed loans which will run to their existing maturity.

2.7 Composition of the Council's Group

The Council undertakes its activities through a variety of undertakings, either under ultimate control or in partnership with other organisations. Those considered to be material are included in the group accounts. Profit and loss, net worth and value of non-current assets for each organisation are considered as a percentage of the Council's single entity accounts to determine those that are material. Turnover, assets and liabilities (including the pension liability) are assessed individually. An entity could be material but still not consolidated (if all of its business is with the Council and eliminated on consolidation) – i.e., the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

Section 3. Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The items in the Council's Balance Sheet at 31 March 2024 for which there is a risk of adjustment in the following financial year are:

3.1 Revaluation of Property, Plant and Equipment (PPE)

Property, plant and equipment (with the exception of community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgments are required to make an assessment as to whether there is an indication of impairment. This includes examination of capital expenditure incurred in the financial year to ascertain whether or not it has resulted in an increase in value of an asset. This has been provided by the valuers commissioned by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated.

3.2 Depreciation of Property, Plant and Equipment

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

3.3 Revaluation of Investment Property

Investment properties are initially measured at cost. After initial recognition they are measured at fair value – highest and best use. The fair value reflects market conditions at the balance sheet date.

3.4 Provision for Business Rate Appeals

The Council has made a provision for a reduction in business rate income due to appeals made against rateable values set by the Valuation Office Agency (VOA). This is based on percentage reductions in rateable values for hereditaments where there was an outstanding appeal on 31 March 2024. This provision includes the estimated impact

on 2023/24 income of appeals anticipated to be lodged in future. The percentages used for appeals against the 2010 valuation list are based on information from the VOA on the percentage reductions, per category of property and type of appeal, to the valuation list following previously settled appeals. Appeals raised against hereditaments with larger RVs have been considered separately. The percentage used for the reduction in the 2017 and 2023 valuation lists are based on the percentage that the 2010 list has fallen, adjusted to reflect the success of the Check, Challenge and Appeal (CCA) process in reducing volumes, and then adjusted by the reduction in value that has already occurred as a result of the appeal process.

3.5 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured.

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**Manchester City Council
Report for Information**

Report To: Audit Committee – 13 February 2024

Subject: Internal Audit Assurance Update Quarter Three 2023/24

Report of: Head of Audit and Risk Management

Summary

The Internal Audit section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Opinion and an Annual Assurance Report.

This report provides an update of progress on the agreed audit plan and details of assurances from the Internal Audit Service for quarter three 2023/24.

Recommendations

Audit Committee is requested to consider and comment on the Internal Audit Update report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the City

None

Equality, Diversity, and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue = None
 Financial Consequences – Capital = None

Contact Officers:

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to four years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Internal Audit Plan 2023/24 (Audit Committee June 2023)

1. Introduction

- 1.1. The work of Internal Audit is a key part of the Council's overall assurance framework which is described in the Annual Governance Statement and in the Head of Audit and Risk Management's Annual Opinion.
- 1.2. Regular reporting to management and to the Audit Committee provides assurance over the Councils systems of governance, risk management and internal control arrangements. It contributes to officer and Member understanding of issues being raised by Internal Audit, provides assurance over actions taken to address risk and supports effective decision making. Regular reporting also helps the service and the Council to demonstrate compliance with Public Sector Internal Audit Standards and relevant legislation.
- 1.3. The tables in section 3 will be used to summarise the results of planned and reactive audit work delivered by the Service but also, for example, an assessment of assurances provided by officers to boards, of other audits and inspections and reports to scrutiny committees. Details of the findings and recommendations that arise from audit work continue to be included as appendices to the report.
- 1.4. This report provides details of the work of the Internal Audit Section for the third quarter of 2023/24 to the end of December 2023 and confirms;
 - progress in the delivery of the annual audit plan (section 2); and
 - key assurances, risks and issues arising from audit work, assessment of other sources of assurance and actions taken to address internal audit recommendations (section 3).
- 1.5. Appended to this report are:
 - Appendix 1: Summary of audit findings and other sources of assurance
 - Appendix 2: Executive summaries of final reports issued in the period.
 - Appendix 3: Delivery status of the annual audit plan 2023/24
 - Appendix 4: Key to the basis of audit assessments

2. Audit Plan Progress and Delivery

- 2.1. At the end of December 2024, we had completed 50% of the plan to draft or final report stage, with 34% of work in fieldwork or planning phases.

Table 1: Status of Planned Audit Outputs 2023/24

Status	To January 2024	To September 2023	To July 2023
Final	39	29	13
Draft	6	4	2
Fieldwork	10	11	10
Planning	21	10	10
Not Started	5	26	34
Total	81	80	69
Deferred / Cancelled	9	1	0

- 2.2. As referenced in the quarter two update, as well as some requests for new work there have been two leavers and a staff absence. Given these impacts the plan has been reviewed with the team to assess deliverability to year end. Whilst we have secured new appointments and third-party support for schools the effect of this resource will not be realised until the end of the year and the first quarter of 2024/25. The following audits (10% of the plan) are proposed for reassessment as part of the audit planning for 2024/25:
- Supporting Families and Biodiversity Net Gain Grant - Certifications no longer required
 - Contracts: Factory Project Assurance – The certification is no longer required in 2023/24 as this falls due after practical completion which is scheduled for Spring 2024 – to be included in 2024/25 plan
 - Elective Home Education / Alternative Provision, Placement Finding Service, Contracts: Adult Social Care Providers, Contracts: Zero Carbon, Building Control and Highways: Delivery Management - impacted by reduced capacity in the year so are so planned for inclusion in the 2024/25 Audit Plan risk assessment.
- 2.3. Recruitment to the posts of Deputy Head of Audit and Risk Management post, five vacant posts in Internal Audit and other posts across the Audit and Risk Management Service has concluded. Four appointments have made in Internal Audit including two internal promotions. This means that the Service will start 2024/25 with two additional staff in post. Whilst this is positive there are three vacancies that remain in Internal Audit and the Deputy post remains unfilled. Options to address this capacity gap are being explored and include the development of trainee posts in collaboration with Bolton Council who also have a number of audit vacancies. A review of the Deputy Head of Service post is planned given this is the second time the post has been actively promoted without success.

3. Audit Assurance, Risks and Issues

- 3.1. The tables in appendix 1 summarise all the outcomes of audit work and other sources of assurance that Internal Audit have considered in the period. They are intended to provide a holistic and visual articulation of audit assurance. They describe assurances and risks / issues and Internal Audit's assessment of how it contributes to the overall assessment of the effectiveness of governance arrangements, management of corporate risks and systems of internal control.
- 3.2. Where audit work has been completed and an opinion issued this is included. Opinions continue to be Substantial, Reasonable, Limited or No depending on audit findings.
- 3.3. Every quarter we provide a summary of key assurances and issues that have been highlighted from audit work and other sources of assurance. These are then used together to inform the Head of Audit and Risk Management annual audit opinion. The following are the new issues arising in quarter two:

Housing Services

- 3.4. The Housing Services Improvement Board continues to oversee progress in assuring statutory compliance across Council residential properties including progress on actions including those that have arisen from audit reports around fire risk management and will include oversight of responses to audit of repairs and maintenance and the current audit of complaints.
- 3.5. The Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting audit resulted in limited assurance. Management were sighted on issues, understood the need for change and had taken positive steps including the development of enhanced internal reporting arrangements. An action plan has been agreed to respond to improvements needed over the integrity, quality and completeness of data being reported by the Contractor as well as actions required to strengthen roles and responsibilities, capacity and ICT.
- 3.6. Engagement with management regarding one of the Council's two Tenant Management Organisations (Avro Hollows) has continued. An Independent Reviewer is currently conducting an assessment of the TMO and this will result in a plan of agreed actions designed to strengthen governance, performance and financial management arrangements. Audit Committee will be provided with an update on the outcome of this review and actions to be taken to reduce risk.

Childrens Services - Foster Care

- 3.7. We received an update during the quarter on progress made in implementing recommendations made in our audit of Foster Care Payments. Whilst none of the recommendations are yet due for implementation the update confirmed that one key recommendation had already been implemented with a process map now being in place for the entire payments system spanning the various teams involved in agreeing and making payments. A working group had also been set up as recommended with representatives from across the Council teams involved in the foster care payments process. This group has taken ownership of addressing risks identified in the audit and this includes a full review of agreed actions to ensure they remain the most effective and appropriate steps to take. We are meeting with management to explore their approach to reduce risk and will report our update to Audit Committee in due course.
- 3.8. Whilst our audit work focused on finance and payments there were also annual reports to Scrutiny Committee in January 2024 covering foster care and adoption and these that provided positive assurance that there remains member oversight of across these key service areas.

Schools

- 3.9. Three Limited and one Substantial opinion audit reports were issued in the period. To note very positive arrangements at Manchester Hospital Schools where all areas covered by the audit result in substantial assurance. The numbers of reports will increase substantially over the coming months following the appointment of a firm to deliver 70 audits by the end of July. A summary of common themes and issues arising from audits is being drafted for issue to all schools in March.

- 3.10. A programme of counter fraud awareness has been rolled out with staff from schools across the City having now accessed and completed on line courses. We will continue to promote this in our March communications.

Gifts and Hospitality

- 3.11. A draft report has been issued from a review of gifts and hospitality procedures. Findings have been explored in a workshop with HROD and we propose a refresh of policy and supporting guidance to help standardise arrangements across services. The opinion reflected the lack of consistency of recording of offers and acceptance of hospitality. Actions are proposed to provide additional guidance for areas like culture, policy or events where there is a higher likelihood that offers may be made. We will share the Summary of this report with Audit Committee once management actions have been agreed,

4 Recommendation

- 4.1 Audit Committee is requested to consider and comment on the Internal Audit Update report.

Appendix 1: Summaries of Audit Work and Other Sources of Assurance

A. Children and Education Services

Source	Assurance, Risk or Issue	Assurance
	<p>There are no overdue audit recommendations from our Childrens Services audits with all that have passed their due date confirmed as being fully implemented or superseded.</p> <p>We have received an update on progress in implementing recommendations from our audit of foster care payments which provided positive assurance that work was ongoing to address the recommendations made. No recommendations had yet reached their due date for implementation, but we confirmed that one recommendation had already been fully implemented ahead of schedule. Process maps have now been completed to map the whole payments process across the various teams involved. Work had also progressed in implementing the remaining recommendations with a working group now being in place to oversee implementation of recommendations with representatives from across the teams involved in the various stages of making foster care payments. We plan to complete a full follow up review of the audit early in the 2024/25 audit year.</p>	Substantial
Other Assurance	<p>The fostering service annual report was presented to the Children and Young People Scrutiny Committee in January. This report identifies a number of positives including confirmation that an Ofsted Inspection took place in April 2022 and we were judged to be 'good' with our children in care and children in Private Fostering Arrangements judged to be living in 'safe and secure homes'. In December 2022 Manchester City Council were awarded 'Fostering Friendly' status for our work to support existing foster carers and to promote fostering within our organisation and we have doubled the number of new foster carers approved within the year.</p>	
	<p>The Adoption Counts Annual Report was presented to the Childrens and Young People Scrutiny Committee in January. This provided an update on activity from 1 April 2022 to 31 March 2023 and outlines the progress in planning and placements for children, assessment, and approval of prospective adoptive parents, and in offering adoption support over this period.</p>	
	<p>The Annual Virtual Schools Head Teacher report was presented to the Childrens and Young People Scrutiny Committee in January. This report provided an overview of the work that had been undertaken</p>	

Source	Assurance, Risk or Issue	Assurance
	during 2022-23 to promote the education, employment and training of the Children and Young People overseen by the Manchester Virtual School. This includes Children and Young People in the care of Manchester, Manchester Care Leavers, Previously Looked After Children who attend education settings within Manchester, Children and Young People with a Manchester Social Worker and Young People supported by the Youth Justice Service. Among the differences reported as being made during the year was increasing the overall attendance (93.8% from 92.8%) and reduced the number of suspensions of Children Looked After from 2021-22 and preventing over 50 possible permanent exclusions. Challenges have included the significant increase in the number of young people aged 16 plus entering our care, including unaccompanied young people.	

B. Schools

Source	Assurance, Risk or Issue	Assurance
Audit	A draft report has been issued for our financial health check of Peel Hall Primary School with a limited assurance opinion due to the need to strengthen controls over expenditure, including the need to demonstrate value for money being obtained for higher value purchases. This report has yet to be finalised given changes to management since the audit, with the Wise Owl Trust now providing interim senior leadership support prior to the School joining the Academy Trust from 1 April 2024. We are in the process of engaging with management at the Wise Owl Trust to agree recommendations and satisfactory management responses to help reduce the ongoing exposure to risk.	Limited
	A final report has been issued for our financial health check of St Francis Primary School with a limited assurance opinion due to the number of critical and significant risk recommendations in the report (3 critical, 7 significant). We were pleased to note that management responses confirmed that significant action had been taken since the appointment of a School Business Manager to implement the recommendations we made. The management responses to the report confirmed that ten of the eleven recommendations had been fully implemented. We are in the process of arranging a follow up visit to the School to obtain evidence of recommendation and hopefully sign all of the recommendations off as implemented.	Limited

Source	Assurance, Risk or Issue	Assurance
	<p>A draft report has been issued for our financial health check of St James Primary School with a limited assurance opinion overall. This is mainly due to the financial procedures and Scheme of Delegation not reflecting the School's structure or practice since it federated at the beginning of 2023. Therefore, the financial transactions tested during the audit were not being approved or dealt with in line with agreed policy and delegations. We were also concerned over the lack of quotations for higher value purchases and of up-to-date bank reconciliations. The School has had a period without a School Business Manager and we concluded in the audit report that there is considerable scope for improvement given the new Business Manager who has been recently appointed recognises the areas of focus for improvement.</p>	Limited
	<p>A final report has been issued for our financial health check of Manchester Hospital Schools with a substantial assurance opinion overall. Overall there were strong financial controls with our testing demonstrating good compliance with these controls. Management confirmed in responding to the draft report that all four recommendations made in the report had already been fully implemented following the debrief meeting with the auditor.</p>	Substantial
Other Assurance	<p>We have commissioned Entrust, an education and skills support services business working with schools and academies from over 150 local authority areas, , to complete School Financial Health Checks at 70 schools.. The audit work will be completed by July 2024 with the summaries of individual reports for each school presented to Audit Committee once finalised.</p> <p>We are developing a pack of information to share with all Manchester schools which will include:</p> <ul style="list-style-type: none"> • a summary of strengths and issues we have found in school audits over the last few years and key learning points; • a financial responsibilities document which will highlight the key financial responsibilities (both oversight and delivery roles) for Governors, Head teachers and Business Managers; • a key financial controls self assessment document covering the financial controls we include in the schools financial health check to enable schools to periodically assess their own financial controls. We will recommend that they complete this self assessment if they have not been subject to an internal audit in the last five years and share the results with Governors alongside any actions to address areas of concern. <p>We plan to issue these by the end of March 2024.</p>	

Source	Assurance, Risk or Issue	Assurance
Other Assurance	An OFSTED inspection summary was presented to the Overview and Scrutiny Ofsted Subgroup in November 2023 and this identified 88.4% of Manchester schools were judged to be good or better, which placed the city fifth out of ten local authorities within Greater Manchester and in line with the average for the north-west and nationally. 89.6% of Manchester primary schools were good or better, placing Manchester sixth out of ten within Greater Manchester, and 82.8% of the city's high schools were good or better, placing Manchester second out of ten at secondary level within Greater Manchester.	

C. Adults and Public Health

Source	Assurance, Risk or Issue	Assurance
Audit	The audit of Direct Payments had been issued as final with agreement from management of actions and timescales for implementation. As previously reported we have provided a limited assurance that arrangements were in place to complete financial reviews of direct payment expenditure.	Limited
	We issued a final report providing a reasonable assurance opinion that there is an effective Quality Assurance Framework in place for Adults Social Services. Our opinion was based on a revised framework that has been developed by the Practice and Learning Development Consultant since our audit fieldwork started rather than the initial framework presented to us at the start of the audit. Our assurance opinion on the original framework presented to us at the start of the audit and how it was operating would have been limited. The reasonable assurance assessment is on the basis that the revised framework will be implemented as set out in plans and that the assurance activity described in the framework becomes embedded in operational activity to provide regular assurance over social work activity. We are confident from discussions with the Practice and Learning Development Consultant and from review of the new framework documentation that arrangements are now in place to ensure this happens.	Reasonable
	We completed a follow up review of our audit of the Adaptations Delivery model and can confirm that three of seven recommendations have been fully implemented. The remaining four will be superseded by the decision to bring responsibility for adaptations back into the Council by September 2024. We share the view that this should help bring consistency to the delivery, management and oversight of adaptations. There were a number of risks raised within our original recommendations that will not be	Partially complete

	<p>fully superseded until the work of the Lead (Housing) Registered Provider is brought back into the Council so we have made a new recommendation in our follow up audit for these remaining risks to be managed by the Working Group which will have responsibility for the transition arrangements.</p> <p>There are also two recommendations relating to the Adult Social Care Contract Governance audit review which are partially implemented. We met with officers to discuss progress and the documentation will be assessed as part of our follow up review in February 2024.</p> <p>We completed a follow up of our adults payments audit and will be issuing a draft report in February. Management took the decision following our audit to undertake a larger redesign of processes that incorporated the recommended actions from our audit. Whilst this has delayed the implementation of the recommendations the new operating model should address them in a sustainable way and position the service for improved long term operations. Significant work has been undertaken but we are only able to consider them partially implemented at this stage.</p>	
<p>Other Assurance</p>	<p>Meetings took place in December 2023 and January 2024 of the Greater Manchester Mental Health NHS foundation Trust: Improvement Plan task and finish group. The group had been set up by the Health Scrutiny Committee at their May 2023 meeting. This group received overall updates on progress in delivering and challenges to delivery of the plan and then received more detailed updates on individual workstreams in the plan. The December meeting received a more detailed update on Patient safety along with Clinical Strategy and professional standards. The Group also approved the terms of reference of the group and work programme. Updates on two further workstreams were received at the January meeting (People and Culture).</p>	

D. Core: Corporate Services and Chief Executive's

Source	Assurance, Risk or Issue	Assurance
Audit	<p>Gifts & Hospitality – a draft report has been issued in respect of our findings in this area. We reviewed the extent and quality of procedural guidance available to staff and managers, and compliance with this guidance. We noted a number of issues in record keeping which were attributed to a lack of awareness of expectations in this area. We also noted the potential requirement for further advice and guidance for specific services who are more likely to be actively involved in entertainment, sporting or cultural development. A response to the report recommendations issues is being developed by HROD and Internal Audit will remain involved in its development and delivery during 2024.</p> <p>During the audit there were a number of Heads of Service who, when they realised they were not compliant, took proactive action and asked for Internal Audit support. As well as individual meetings and email advice, we attended a number of Departmental Management Teams to discuss the Code, the Gifts and Hospitality register, and detailed questions on what should be declared.</p>	Limited
	<p>Grant certification – Family Hubs and Start for Life Programme. Initial certification of £668,259 of spend up to the end of September 2023. Further certifications will be required twice a year in respect of spend up to the end of March 2025.</p>	Reasonable
	<p>With regard to recommendation implementation, there are now five recommendations partially implemented. As previously reported, action is not yet complete in respect of a recommendation made in our review of Social Value Monitoring and another regarding Contracts Risk Management. Several recommendations have become due in relation to our audit of imprest accounts, while two of these are not yet fully implemented we are satisfied that considerable progress has been made and anticipate further progress imminently. We also expect imminent completion of actions in relation to our recommendation on Privacy Notices.</p>	Reasonable
Other Assurance	<p>Our contract with a firm that review potential duplicate payments, credits and VAT coding errors continues. Although values of recovery have slowed this is still identifying credits due to the Council so work is ongoing.</p>	
	<p>Internal Audit continue to attend monthly meetings of the Resident and Business Digital Experience Programme. Phase 1 of this programme is planned for delivery in March 2024 and will replace the existing Customer Relationship Management (CRM) system with a more stable and secure system,</p>	

Source	Assurance, Risk or Issue	Assurance
	<p>meeting technical security and stability requirements, and delivering some enhancements to existing process. The programme will then progress to further optimisation and improvement of existing systems.</p> <p>From our engagement with the Board we are satisfied that delivery plans for Phase 1 are robust, include all key required deliverables and are being regularly tracked. At this stage we do not foresee any significant risks that would prevent the delivery dates from being met.</p>	
	<p>Two procurement-related updates were presented to the Resources & Governance Scrutiny Committee in November. The first was an update on new procurement regulations, which will come into effect in late 2024, and the potential impacts on the Council's approach. The Committee discussed this in some depth and noted that the new regulations were less prescriptive, allowing for greater local flexibility. However there were additional requirements to publish information throughout the contract award process, with a new contract management system being introduced to facilitate this.</p> <p>The Committee also considered an update on the social value delivered from the Council's contracting activity. It was noted that Manchester had the highest social value and zero carbon weightings in procurement of any local authority in the country. Work was continuing to embed good practice across the whole Council, develop systems for measurement of social value delivered and ensure related communications were accessible to all. Several case studies were also presented to evidence positive practice in social value delivery.</p>	
	<p>In December the Resources & Governance Scrutiny Committee considered an annual report on property-related work, developments and issues.</p> <p>Key areas included in the report were progress on reviewing surplus property assets, improving data quality within the CPAD system, and the forthcoming insourcing of management of the investment estate, a service currently provided by Jacobs. Updates were provided in relation to some key large/city centre sites, and some agreed developments for residential use. In addition, an update was provided on progress with completion of a large number of fire risk assessments and asbestos surveys.</p> <p>The report notes that the approach to asset valuation has improved, including better joint working with treasury and reduced level of queries from the external auditor. This was specifically cited by the external auditor in their review of the 2020/21 accounts, so it is positive to see assurance over improvement here.</p>	

Source	Assurance, Risk or Issue	Assurance
	<p>Valuations are part of the service to be insourced in 2024 and the service considers there may be further scope for improvement after this time. The report also included updates on progress with delivery of the Family Hubs and Changing Places programmes. We have certified grant spend in relation to both of these, with further required certification anticipated in 2024/25.</p>	
	<p>In December a paper was presented to Resources and Governance Scrutiny Committee outlining the impact of recent market changes on the delivery of the Council's capital programme, and the proposed approach for setting the 2024/25 capital budget. This included information on the levels of debt incurred to finance the programme, and how these were proportionate and affordable in comparison to the Council's size.</p>	
	<p>In November and December, the Resources & Governance Scrutiny Committee considered a number of papers related to the setting of the budget. Firstly, in November a paper was presented outlining the budget setting process and timetable, including further detail specifically in relation to the Corporate Core Directorate. The budget situation remains challenging corporately, a shortfall of £105m is forecast at by 2026/27 with identified plans in place anticipated to reduce this to £49m.</p> <p>In December, an update paper was received outlining the content of the Autumn Statement, and in particular the anticipated effects on residents with lower incomes. The paper was presented very shortly after the Statement was announced, and it was noted that further detail would follow in this area.</p> <p>A further paper was presented specifically in relation to the budget setting for the Housing Revenue Account, and factors considered within this. The Council is required to set a balanced budget over a 30-year timeframe, currently the budget anticipates a £62m deficit over that period and action is required to improve the position. The report notes a required rent increase of 7.7% and a likely increase to communal heating charges in the region of 68%. It also notes a significant further funding requirement to meet the Council's zero carbon commitment across the housing estate by 2038.</p> <p>Also, an update was presented on the setting of Council Tax and Business Rates bases for 2024/25. While the final decision in this area is delegated to the Executive Member and Deputy Chief Executive & City Treasurer, the report provides assurance that the process is compliant with all required regulatory and legal expectations, and that relevant and up-to-date sources of data are included in considerations.</p>	

E. Growth and Development

Source	Assurance, Risk or Issue	Assurance
Audit	We completed work during the quarter providing assurance over the governance arrangements supporting delivery of the Victoria North project and have issued a draft report. We are awaiting management responses to recommendations ahead of finalising the report. We will report further detail on the findings in Quarter 4.	Reasonable
	Unauthorised Building Work: Follow Up Review - We have met with the responsible officer and whilst we understand that work has commenced to reduce the exposure to risk, there have been challenges within the service affecting progress. We will update and report on progress as part of formal follow up review work planned for February/ March 2024.	Partially complete
	<p>There remain three outstanding audit recommendations in relation to Avro Hollows Tenants Management Organisation audit work which are over 12 months overdue. In accordance with the Management Agreement between the Council and TMO an independent review has been commissioned the focus of which is to:</p> <ul style="list-style-type: none"> a) identify the deficiencies (if any) in the functioning or performance of the Tenant Management Organisation; b) make positive recommendations as to the action and practical steps which the Tenant Management Organisation needs to take and any actions the Council will need to implement; and c) set out the periods within which the Council considers that remedial action should be taken. <p>Internal Audit remain sighted on this review and the Head of Audit and Risk Management continues to work with the Head of Strategic Housing to seek interim solutions to improve governance of the TMO pending the outcome of the review.</p>	Outstanding
Other Assurance	The Economy and Regeneration Scrutiny Committee received reports during the quarter in relation to the role of Manchester Airport in the economy of the city and an update on the current position with a number of rail schemes and the resulting impact on the city providing assurance that any impacts on the Council and its residents can be fully understood. Manchester Airport Rail Update	

	<p>The Economy and Regeneration Scrutiny Committee and Executive received reports on the final economic strategy which set out how the City would continue to achieve economic growth whilst fulfilling its function as the main driver of prosperity for people living in the City. Economic Strategy.</p>	
	<p>The December Executive considered a report of the Strategic Director (Growth and Development), which provided a high level summary of the second Development Area Business Plan for the Victoria North programme, which was being taken forward by the City Council operating in a Joint Venture Partnership with Far East Consortium (FEC). The Executive noted the content of the report, delegated authority to finalise terms for the disposal of the Council's land interests and authorised the City Solicitor to give effect to recommendations set out in the report Victoria North Development Area Business Plan 2 A separate report on the agenda set out a proposal to use Compulsory Purchase Powers to ensure the delivery of the Development Area Business Plan Compulsory Purchase Order Powers</p>	
	<p>The November licensing Policy committee agreed a revised Statement of Licensing Policy to set out how the Authority's licensing duties would be carried out, in line with the requirements of the Licensing Act (2003). Revised statement of licensing policy</p>	
	<p>The November Environment, Climate Change and Neighbourhoods Scrutiny Committee noted a progress update on delivery of the aspirations and commitments of the Manchester Active Travel Strategy and Investment Plan. Active Travel Strategy</p>	

F. Neighbourhood Services

Source	Assurance, Risk or Issue	Assurance
Audit	Waste and Street Cleansing Contract Performance Management – We provided reasonable assurance over the operation of the Street Cleansing contract performance framework. There were clear roles, responsibilities and expectations defined within contract documents and these were understood by both parties, with robust governance arrangements in place and evidence of good communication between the Council and Contractor. However there were no systems in place to validate the performance reported by the Contractor and we identified some challenges with the current process.	Reasonable
	Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting – We provided limited assurance over the contract and performance monitoring arrangements for the repairs and maintenance contract. We identified areas of strength including key oversight from the Housing Services Senior Management team and operational boards, a positive direction of travel and recent improvements within systems and processes. However, improvements are needed to improve assurance over the integrity, quality and completeness of the data being reported by the Contractor. Other areas requiring attention included unclear roles and responsibilities, over-reliance on performance data supplied by the Contractor, capacity challenges and inadequate IT infrastructure.	Limited
	There are currently two partially implemented audit recommendations at this time from the Review of Fire Risk Assessment Processes audit and a further five which fell due at the end of December 2023. We can confirm that work to reduce the risk exposure has begun and we will assess progress and report our assessment in a follow up report before year end.	Partially complete
Other Assurance	The Housing Improvement Board meets monthly and Internal Audit continue to attend and provide updates of audit activity and key issues to note.	
	The Environment, Climate Change and Neighbourhoods Scrutiny Committee recently received a Performance Report in relation to the Compliance and Enforcement Service during 2022/23. Compliance and Enforcement Services Performance 2022/23 . This provided an update on demand for and performance of the service and considered the challenges as a result of changes to legislation, policy and areas of growth that would have an impact on the work carried out by the teams.	
	An annual report on the Highways Condition of the City was presented to the Economy and	

Source	Assurance, Risk or Issue	Assurance
	<p>Regeneration Scrutiny Committee which highlighted performance, key outcomes and successes achieved in 2022/23. This included detail on the total capital expenditure per service area along with case studies describing social value work undertaken. This provides assurance over the performance of the service during the year and methods of communication to ensure ongoing engagement with residents and members. Highways Annual Report 2022/23</p>	
	<p>The Environment, Climate Change and Neighbourhoods Scrutiny Committee received a report which described the Neighbourhood Teams' role in engaging residents on Climate Change. Detail was provided over proposed activity to engage, support and activate Manchester residents in local climate change activity and the establishment of a framework for ward level actions and the establishment of monitoring to measure impact. This provides assurance over the engagement of residents in a key area of focus for the Council. Climate Change Engagement with Residents</p>	
	<p>The Executive in December agreed to adopt the Homelessness and Rough Sleeping Strategy for Manchester (2024-2027) after consideration of a report of the Strategic Director (Neighbourhoods), the Director of Housing Services and the Assistant Director – Homelessness. This provides assurance there is an agreed plan to respond to homelessness. Homelessness and Rough Sleeping Strategy (2024-2027)</p>	
	<p>The December Economy Regeneration Scrutiny Committee noted the findings of a report of the Director of Development and the Strategic Director (Neighbourhoods) which provided the outcomes of the evaluation of the Moss Side, Moston and Old Moat Selective Licensing pilot areas. Evaluation of Selective Licensing areas. The Committee also received a report which identified nine potential areas across six wards that were experiencing issues which met the criteria to justify a Selective Licensing designation in the area. The committee commended the nine areas as well as the consultation plan outlined. Proposal for next phase of selective licensing</p>	
	<p>The December Communities and equalities scrutiny committee endorsed a number of recommendations made by the Crime and Antisocial Behaviour Task and Finish Group. These included the Council publishing guidance, encouraging a Manchester standard across housing, Council's Out-of-Hours staff be provided with body camera recording devices Final report of the ASB task group</p>	

Source	Assurance, Risk or Issue	Assurance
	The November Economy and regeneration scrutiny committee noted an update report of the Housing Needs Assessment commissioned to inform the development of housing policies in the emerging Local Plan. Housing Needs Assessment	
	The November the Communities and equalities scrutiny committee considered a report of the Strategic Director (Neighbourhoods) and Chair of the Community Safety Partnership which provided an update on the implementation of the Community Safety Strategy 2022-25. Community Safety Strategy	

G. Counter Fraud and Irregularity

Corporate Cases

Internal Audit received 8 referrals of potential fraud or irregularity during the period October to December 2023. A summary of the types of allegations, including the 32 cases brought forward from the previous quarter are provided in the table below. Of those listed below 10 were considered whistleblowing allegations and have been handled under the Council's Whistleblowing Policy and Procedures.

No	Type	Focus of Allegation(s)	Status	Conclusion
1	Corporate Employee – Conduct and Behaviour (b/f)	Data Breach	Completed	Unfounded
2	Corporate Employee - Conduct and Behaviour (b/f)	Decision Making	Completed	Partially Founded
3	Corporate Employee – Abuse of Position (b/f)	Recruitment	Completed	Unfounded
4	Schools – Abuse of Position (b/f)	Decision Making	Referred to Education	Unfounded
5	Corporate Employee – Conduct and Behaviour (b/f)	Bullying	Referred to HR	Unfounded
6	Contracting and Procurement - Contractor Conduct and Behaviour (b/f)	Inflated Invoicing	Ongoing	TBC
7	Contracting and Procurement - Contractor Conduct and Behaviour (b/f)	Health & Safety	Completed	Unfounded
8	Corporate Claims – Application Fraud (b/f)	Failure to Disclose	Completed	Unfounded
9	Corporate Employee – Conduct and Behaviour (b/f)	Bribery	Completed	Unfounded
10	Corporate Claims - Application Fraud (b/f)	False Details	Ongoing	TBC
11	Corporate Claims – Application Fraud (b/f)	False details	Completed	Unfounded.
12	Schools - Officer Conduct and Behaviour (b/f)	Bullying, Health & Safety	Referred to Education	TBC
13	Schools – Payment Misdirection (b/f)	Redirection of Funds	Completed	Prevented
14	Schools – Payment Misdirection (b/f)	Redirection of Funds	Completed	Prevented
15	Corporate Claims – Application Fraud (b/f)	False Details	Completed	Unfounded

No	Type	Focus of Allegation(s)	Status	Conclusion
16	Corporate Claims – Payment Misdirection (b/f)	Redirection of Funds	Completed	Prevented
17	Contracting and Procurement - Contractor Conduct and Behaviour (b/f)	Health and Safety	Ongoing	TBC
18	Contracting and Procurement – Contractor Conduct and Behaviour	Professional Conduct	Referred to Contractor	Founded
19	Corporate Employee – Conduct and Behaviour (b/f)	Conflict of Interest	Completed	Founded
20	Third Party Grants (b/f)	Misappropriation of Funds	Ongoing	TBC
21	Contracting and Procurement – Contractor Conduct and Behaviour (b/f)	Inflated Invoicing	Ongoing	TBC
22	Professional Conduct and Behaviour (b/f)	Conflict of Interest	Completed	Founded
23	Corporate Employee - Abuse of Position (b/f)	Decision Making	Referred to Education	TBC
24	Corporate Employee – Abuse of Position (b/f)	Recruitment	Referred to HROD&T	TBC
25	Professional Conduct and Behaviour (b/f)	Social Media	Referred to Legal	Unfounded
26	Contracting and Procurement – Contractor Conduct and Behaviour (b/f)	Professional Conduct	TBC	TBC
27	Schools – Corporate Employee (b/f)	Misappropriation of Funds	Closed	Unfounded
28	Corporate Employee - Conduct and Behaviour (b/f)	Decision Making	TBC	TBC
29	School - Conduct and Behaviour (b/f)	Safeguarding	Referred to Education	TBC
30	School - Cyber (b/f)	Suspicious Email	Completed	Founded
31	School - Cyber (b/f)	Email Hack	Completed	Founded
32	School - Corporate Employee (b/f)	Theft	TBC	TBC
33	Corporate Employee – Conduct and Behaviour (v2)	Data Breach	TBC	TBC
34	Professional Conduct and Behaviour	Misappropriation of Funds	Referred to Legal	TBC
35	Corporate Employee – Conduct and Behaviour	Safeguarding	Referred to HROD&T	TBC

No	Type	Focus Allegation(s) of	Status	Conclusion
36	Contracting and Procurement – Contractor Conduct and Behaviour	Professional Conduct	TBC	TBC
37	Corporate Employee – Conduct and Behaviour	Decision Making	TBC	TBC
38	Contracting and Procurement – Contractor Conduct and Behaviour	Professional Conduct	TBC	TBC
39	Schools – Payment Misdirection	Redirection of Funds	Completed	Recovered £19k the bank
40	Corporate Employee – Conduct and Behaviour	Theft	Completed	Founded

Other Cases Reactive

Type	Cased B/F	Received Q3 2023/24	Closed Q3 2023/24	Total C/F	Assurance Assessment
Business Rates	4	0	0	4	These relate to the concerns over eligibility to claim Small Business Rate Relief.
Business Grants – Covid19 with MCC	30	1	3	28	Investigation work is ongoing in relation to these cases by the Counter Fraud Team
Business Grants – Covid19 with GMP	0	0	0	0	
Business Grants – Covid19 with NATIS	15	0	0	15	With NATIS as per Central Government guidance
Business Grants – Covid 19 to be referred to BEIS	8	3	11	0	Investigation work completed. Cases to be written back to BEIS in line with Central Government guidelines
Council Tax Reduction Scheme	159	10	4	165	These relate to fraudulent declarations regarding household composition/financial circumstances or the failure to declare changes in circumstances affecting eligibility for relief.
Housing Tenancy Fraud	84	8	19	73	Allegations regarding illegal subletting of social housing.
Total	301	21	37	285	

Corporate Proactive Work

Area	Detail
Counter Fraud Training	On-line counter fraud training was rolled out to maintained schools within Manchester in Quarter 3. To date 64 members of staff from 44 schools have completed the module which helps improve fraud awareness and prevention to officers with financial responsibilities.

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Appendix Two: Executive Summaries of Audit Reports

The following Executive Summaries have been issued for the audit opinion reviews finalised between October and 23 January 2024 and as requested by Audit Committee are attached below for information.

<i>Ref</i>	<i>Audit Title</i>
A	Waste and Street Cleansing Contract Performance Management
B	Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting
C	St Francis Primary School
D	Manchester Hospital Schools
E	Direct Payments
F	Adults Quality Assurance Framework

Where grant certification work is undertaken and certification criteria are met, it is standard practice to issue a shorter report without an executive summary. This was the case for our certification activity in respect of the Family Hubs and Start for Life Programme.

Executive Summary A**Internal Audit Report 2023/24****Neighbourhoods: Waste and Recycling****Waste and Street Cleansing Contract Performance Management****Distribution - This report is confidential for the following recipients**

Name	Title
Heather Coates	Strategic Lead, Commissioning and Delivery, Responsible Officer
Neil Fairlamb	Strategic Director of Neighbourhoods, Accountable Officer
John Rooney	Director of Neighbourhood Delivery
David Sabet	Contract Manager
Councillor Igbon	Executive Member
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Fiona Ledden	City Solicitor
Amelia Salford	External Audit (Mazars)

Report Authors

Senior Auditor	Erica Corbett	801 35285
Audit & Assurance Manager	Clare Roper	07940 410849
Head of Audit & Risk Management	Tom Powell	07956 317457

Draft Report Issued	28 September 2023
Final Report Issued	18 January 2024

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over the operation of the Waste and Street Cleansing contract performance framework.	Reasonable	High

Sub objectives that contribute to overall opinion	Assurance
Roles, responsibilities and expectations are clearly defined and met.	Substantial
There are systems in place for validating performance reported by the contractor.	Reasonable
There is evidence to confirm compliance with contract performance requirements.	Limited
There is appropriate escalation action taken in response to poor performance and in line with the Price Performance Mechanism (PPM) contract terms.	Reasonable

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
We recommend that the inspectors record the date failures are reported to the contractor and rectified and that price deductions are applied as per the PPM for all missed Service Level Agreements (SLAs).	Significant	6 months	31 January 2024

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 The management of household waste and street cleansing are key functions of the Local Authority and are services of significant importance to every resident of the City. The current contract for waste collection and street cleansing was awarded to Biffa in 2014, through a competitive tendering process, and in line with contract terms it was extended in 2023 for a further 8 years. The annual cost of this contract is c£15m.
- 1.2 In May 2017 Internal Audit provided positive assurance on the overall arrangements in place for the management of this contract in and also provided assurance over the Payment Performance Indicators (PPI) within the PPM in January 2018. Given the importance of the contract's success to the Council and its residents, and that it has been reported that the current street cleansing services do not deliver the standards expected by members or residents, we agreed with the Strategic Director of Neighbourhoods to review the contract performance framework, with a focus on street cleansing. This can be subject to negative perceptions and has incurred additional resources to supplement self-reporting by the contractor. There are a number of additional factors which impact on street cleanliness, including growth of the city and city centre, changes in business and trade, increased numbers of events and increased foot traffic.
- 1.3 Given its value, the importance of the services to the Council and its residents, and recent challenges with perceptions over quality and delivery from Members and the public, we agreed with the Strategic Director of Neighbourhoods to review the street cleansing contract performance framework. We consider the business impact to be high.

2. Conclusion and Opinion

- 2.1 Overall, we can give **reasonable** assurance over the operation of the performance framework for the street cleansing element of the waste and street cleansing contract.
- 2.2 There were clear roles, responsibilities and expectations defined within contract documents and these were understood by both parties. Robust governance arrangements were in place and there was evidence of good communication between the Council and contractor. Management had recognised the need for further improvements to the service which were being progressed through a number of strategies and service improvement groups.
- 2.3 Whilst there were no systems in place to validate the performance that was self-reported by the contractor due to IT and other challenges, we were satisfied that there was a thorough inspection regime whereby Council officers undertook daily inspections to ascertain if expected standards had been met by the contractor. We did note some challenges with the current process, which is time consuming given it is being done on paper and excel spreadsheets. This could be made easier by the new technologies which are currently being introduced for arterial routes and may be rolled out to other areas if these prove valuable.

- 2.4 We found that deductions for poor performance of street cleansing had not been applied as per the price performance mechanism within the contract, due to a lack of rigour in the administration process. However, we note that 2022/23 attracted £48,000 deductions for the waste element. We were advised at the time of our fieldwork that improvements to the contract management arrangements and capacity will be addressed through a staffing restructure, which links to a wider re-structure in the 'Neighbourhood Delivery' area of the Neighbourhood Directorate.
- 2.5 Our testing highlighted that the contractor was not complying with contract performance requirements in all areas, however we note that there are a number of inherent challenges both with the contract and the service itself, which can impact on service delivery. General challenges were discussed with management, including and factors within communities in Manchester such as deprivation and difficulties sustaining pride in place that can lead to high levels of littering and labour market challenges experienced by the contractor in employing and retaining staff in this line of work. We have included our assessment of the extent of compliance with contract requirements in Appendix 2, however it has been acknowledged by both parties that some aspects of the contract are poorly worded and the original performance indicators were not the best measures. Agreed criteria and monitoring between the Council and the contractor have evolved throughout the length of the contract.
- 2.6 Despite difficulties with the contract and performance requirements, performance is being measured and monitored and acted on and the contractor is being held to account, although the extent to which this is happening could be improved with consistent application of the Payment Performance Indicators (PPIs).
- 2.7 We have made one significant and four moderate recommendations to enhance levels of control and ensure that the potential risks are mitigated.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 The Council team comprised of a named contract manager, a contract compliance team and an engagement and service improvement team as well as an officer charged with strategic oversight. This enabled focus on contract management, compliance and service improvement.
- 3.2 There were clear communication channels between the contractor and the contract management team and assigned leads enabled effective communication between the two parties.
- 3.3 There was a robust contract governance framework in place to oversee operational delivery of this contract as well as senior officer oversight and scrutiny. The governance structure was in line with the contractual agreements, with regular meetings taking place with the contractor at both strategic and officer levels. Various boards oversaw contract performance and compliance, and these were well attended by both parties. These included the

Partnership Board (Strategic), Performance Contract Management Group (Performance) and the Neighbourhood Liaison (Local Governance).

- 3.4 Section 36 and schedule 12 of the contract documentation covered the performance reporting requirements and were clear that it is the responsibility of the contractor, and not the Council, to report on performance and to ensure that the services are performed in all respects in accordance with the Service Provider's obligations. The contractor monitored their own performance and provided a monthly report to the contract team. Contract terms were clear on the approach to poor performance and expectations of both parties. Discussions with the contract team also confirmed that the meetings were an opportunity to discuss areas which fall below expectations.
- 3.5 Waste, recycling and street cleansing reports are presented annually to the Environment, Climate Change and Neighbourhoods Scrutiny Committee (last presented in October 2022). The reports provided members with an update on the progress of service changes to the contract and an update on contractor performance. In addition Neighbourhoods DMT and ward members received quarterly reports which included inspection performance highlights and CRM quality inspections and an outline of service performance.
- 3.6 In addition to the contractor's self-reporting, a regime of internal inspections has been implemented. These are undertaken on the day of cleanse by two trained Council officers in line with Keep Britain Tidy NI195 methodology, outlined by the contractor's cleaning schedule. These quality checks provided assurance that quality and contractually agreed standards were being maintained.
- 3.7 We tested data from 280 inspections conducted over a two week period in May 2023 and highlighted a number of areas identified as good practice by Keep Britain Tidy's expectations: 100% correct land use, 100% evidence for survey, 100% identified transect (stretch of highway/footway graded), 100% fails referred to the contractor (including photos of each), 100% of reports shared with stakeholders, and 95% of failures were rectified and evidenced by the contractor. Other relevant information was recorded on inspection reports for example bins that need emptying, recommendations, and general issues. Testing showed that the inspections included a spread of both geographical area for the North and South of the City and a mix of land use types (e.g. district centre, residential and cycle lanes).
- 3.8 As per the governance arrangements set out in the contract a Service Improvement and Innovation Group, made up of contractor and Council officers met monthly to review service issues. This had led to recent improvements, for example the contractor has trialled a new way of working in the North of Manchester, which has led to improvements in standards (although these have not yet been in place long enough to show that they will be sustained). In addition there have been technological improvements including new Personal Digital Assistant (PDA) devices for contractor inspections of arterial routes. These send real time inspection reports to the Council and will significantly increase the reliability of data if these can be rolled out for all land use types.











- 3.9 There were a number of aspects where the contractor was compliant with key contract performance requirements, for example: monthly, quarterly and annual reports from the contractor were provided in a timely manner, the contractor has a dedicated team to manage the contract who are responsive to any relevant officers from the Council, a target of more than 80% of relevant land and highways being assessed as Grade B or above of the Cde of Practice on Litter and Refuse (CoPLR) guidelines has been achieved.
- 3.10 As per the governance arrangements set out in the contract a Service Improvement and Innovation Group, made up of contractor and Council officers met monthly to review service issues, performance information, feedback from customers (received via complaints, enquiries, service requests, member feedback and feedback from wider Neighbourhood Teams). The Council has also undertaken resident surveys to measure satisfaction levels about broad priorities the Council is required to deliver on including satisfaction with environment (cleanliness).

Key Areas for Development

- 3.11 The Council contract performance team were not undertaking validation checks on the performance information reported by the contractor, carrying out spot checks on contractor inspections or requesting supporting evidence to confirm the rectification of previous 'fails' by the contractor. This was predominantly due to the evidence base and the difficulties of deterioration after the data is received. This will be improved if the PDAs are rolled out however at present these are only used on arterial routes. The team were also not including the contractor's inspection information in monthly reporting which is potentially missing significant amounts of data (for example the contractor reported 2612 inspections for May 2023). We were told this was also due to limited resources and IT challenges faced by inappropriate systems.
- 3.12 The use of paper inspection forms and excel spreadsheets is time consuming and subject to errors in completion and consistency. We found differences in the way inspectors recorded failures and rectifications on the spreadsheets.
- 3.13 The contract states that the contractor 'will use the most appropriate technology to facilitate communication and service delivery such as PDA's, tablets, mobile phones or radio systems and GPS for vehicle tracking.' Very little of this is used for street cleansing although we were informed that progress has been made with handheld devices. We were told that there were limitations in this area, in part due to integration between the Council's system (CRM) and the contractor's system (Whitespace). Following agreement of the contract extension, an improvement plan was proposed by the contractor which included an upgrade to the latest version of Whitespace to allow them to modernise and manage the operation more effectively. This will only be possible once the replacement CRM system is in place which is due to be March 2024.
- 3.14 Whilst the contractor is rectifying any 'failures' identified by the Council, these have not been completed in line with SLA timescales in the majority of cases and there have been no recent deductions for street cleansing failures. In May 2023, 78% of the rectifications tested were outside of SLA timescales (of

those with dates recorded) which should have prompted a minimum £6,000 of potential deductions in line with contract requirements. These dates were not always recorded so application of this PPM had been missed in error.

- 3.15 We note that the City Centre was only inspected approximately half a day a week, although we were informed that recruitment for an additional FTE City Centre inspector was underway. We support this approach as the City Centre would benefit from greater scrutiny of the service provided due to the higher footfall and higher levels of littering.
- 3.16 We have included our assessment of the extent of compliance with street cleansing contract requirements in Appendix 2 (summarised below). The contractor falls below the expected requirements in a number of areas, despite the positive communication and improvement plans. We note that there are a number of areas where the contract requirements are not always clear.

Contract Requirement	RAG Rating 
All streets inspected and cleansed within SLA	
Contractor reporting on performance	
SLAs met	
Demonstrating evidence of cleansing	
Dedicated team and responsiveness	
Appropriate technology	
Continually improving service	
Methodology for cleansing	
Financial penalties applied	

Executive Summary B**Internal Audit Report 2023/24****Housing Services****Repairs and Maintenance Contract (Housing Services): Performance Management and Reporting****Distribution - This report is confidential for the following recipients**

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Carol Culley	Deputy Chief Executive and City Treasurer
Graeme Hall	Assistant Director of Housing Services
Richard Woolfall	Strategic Lead Assets (Housing Services)
Councillor White	Executive Member
Joanne Roney	Chief Executive
Fiona Ledden	City Solicitor
Amelia Salford	External Audit (Mazars)

Report Authors

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Draft Report Issued	11 December 2023
Final Report Issued	22 January 2024

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over the contract and performance monitoring arrangements for the repairs and maintenance contract.	Limited	High

Sub objectives that contribute to overall opinion	Assurance
Roles and responsibilities for contract management, monitoring and performance are clear, complete and effective.	Limited
Adequate systems and processes are in place to validate the performance data provided by the contractor.	Limited
Performance reporting is clear, accurate and complete	Limited

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
Formalisation of roles and responsibilities over contract and performance management.	Significant	6 months	30 June 2024
Use of the contract extension exercise to strengthen shortfalls in the current contract terms.	Significant	6 months	30 June 2024
Exploration of options to address IT issues.	Significant	6 months	30 June 2024
Establishment of a consolidated record of issues, escalated items and areas for improvement.	Significant	6 months	30 June 2024
Improvements to the current KPIs including the addition of measures over cost and efficiency and addressing gaps in the definition of all KPIs.	Significant	6 months	30 June 2024
Establishment of a comprehensive programme of quality checks.	Significant	6 months	30 June 2024
Development of mechanisms to validate the accuracy and completeness of performance data supplied by the Contractor.	Significant	6 months	30 June 2024
Establishment of assurance mechanisms to ensure the timely completion of additional works following a failed compliance inspection.	Significant	6 months	30 June 2024

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 The repairs and maintenance service for Council residential properties has been provided by Equans through a contractual arrangement since April 2021 and has recently been extended for a period of up to three years. The contract going forwards will have an annual value of c£17.5m. Robust arrangements over contract and performance monitoring are therefore essential to ensure the effective delivery of the contract and ensure compliance with the Council's Financial Regulations.
- 1.2 Following discussions with management and concerns raised at Resources and Governance Scrutiny Committee we agreed to review the current contract monitoring arrangements and performance indicators to provide assurance that these are robust and accurately reflect contract performance. A lack of robust contract monitoring activity could result in poor value for money and failure to secure performance levels required from this contract. In addition non-compliance with housing legislation could result in reputational damage, criminal charges or financial penalties; and most importantly could put residents' health and safety at risk. As such we consider this area to have a high business impact.

2. Conclusion and Opinion

- 2.1 Overall we are able to provide **limited** assurance over the contract and performance monitoring arrangements for the repairs and maintenance contract (Residential Properties).
- 2.2 We can take some assurance from the existing governance framework which included the provision of key oversight from the Housing Services Senior Management team and operational boards. The governance structure also provided a line of accountability from tenant and resident groups through the Housing Advisory Board, Strategic Partnership Board and Housing Services Improvement Board to the Council's Scrutiny and Executive Committees. Regular reporting was evident and supported by minutes, papers and actions where relevant.
- 2.3 It is worthy of note that the audit opinion is based on the findings from our fieldwork which reflects the position at the time, predominantly based on data from August 2023. There have been recent improvements within the systems and processes and the majority of our findings were already understood by senior management and development actions were underway. The Council had also commissioned work to provide assurance on the Council's approach

to building safety compliance which demonstrates a commitment to improving the current position.

- 2.4 There was a positive direction of travel which included development work on a revised structure, repairs playbook and rulebook and arrangements to ensure the accurate and complete flow of data through reports, with the aim of all reporting to be based on data from QL (housing management system) rather than relying on data from the contractor and the use of local spreadsheets. While these had not been fully completed, we took assurance from the commitment and proactive approach to making improvements by the new management team and continued momentum should lead to improvements in the governance, risk and controls in this area.
- 2.5 However, whilst we acknowledge the positive direction of travel, there were a number of significant issues which led to the limited opinion. Ultimately, we could not obtain assurance over the integrity, quality and completeness of the data being reported by the Contractor. Areas of concern from the audit included unclear roles and responsibilities, over-reliance on performance data supplied by the Contractor- with few systems in place to validate data provided, capacity challenges and inadequate IT infrastructure. As such, significant officer time and resources were having to be expended on time consuming practices, impacting on the ability to undertake post inspections or quality checks of work completed by the Contractor and a lack of capacity to ensure follow-on jobs (arising from mechanical and electrical compliance work) were being completed. The table below summarises the key findings from our testing of the performance data reported for 20 key KPIs. Full details can be found in the tables in Appendix 2 and 3:

Summary findings from audit testing of 20 KPIs (August 2023)		
Actual data confirms contractor is meeting targets	●	In August the contractor reported meeting 9 of the 20 KPIs
Contractor and system (QL) figures match	●	The QL figures for August matched those reported by the Contractor for 7 out of 20 KPIs
Council data validation is undertaken	●	Contractor data was being validated for 9 of the 20 KPIs
Council data validation is possible	●	Data validation would be possible for all 20 KPIs if underlying data were provided by the contractor
Audit validation of data	●	Audit were able to validate the data for 6 of the 20 KPIs

- 2.6 There are a number of longstanding legacy issues concerning the robustness of contract terms, subsequent mechanisms for management of contractor performance and a disconnect between finance and performance which has had an impact on the delivery and performance of the contract. Further to this there has historically been a lack of resources assigned to this work, relationship challenges with the Contractor and inadequate capacity,

capabilities, and IT support. These are changes that will require significant time and resources to overcome.

- 2.7 We have made eight significant and one moderate recommendation to enhance levels of control and ensure that the potential risks are mitigated.

3. Summary of Findings

Roles and Responsibilities

- 3.1 There was an overall lack of clarity over key roles and responsibilities for contract and performance management of the contract. At the time of our review there was no formal contract manager to lead and coordinate contract and performance management activity with these duties discharged by various officers. This meant that duties were spread which is inefficient and likely to lead to inconsistency as well as risk omission or duplication. We understand a considerable number of officers interact with the contractor but the streamlining of this could be improved through the formal assignment of a contract manager. We were told that this process was underway with a new repairs structure (awaiting approval) and the head of repairs and maintenance post awaiting HR evaluation.
- 3.2 During the course of our work we were made aware of a number of issues and areas for improvement which had been identified by Housing Services colleagues and raised with the Contractor directly by email, verbally or through the Client Contractor weekly meetings. However, as there was no operational contract manager or single point of contact these have been raised individually and there was not a consolidated record of issues raised. As such, we were unable to gain assurance that all issues identified had been communicated, agreed by the Contractor or that they were being tracked and monitored to ensure the timely resolution of issues.
- 3.3 A new data analyst team had been created to support performance monitoring and information reporting. This has led to the creation of a new dashboard for reporting to senior management, the Housing Services Improvement Board (HSIB), and Housing Advisory Board (HAB). This function will ensure that future reporting is centralised, consistent and based on data extracted directly from the Council's Housing (QL) system, reducing reliance on the Contractor's performance reports, and strengthening data integrity.
- 3.4 The contract was awarded prior to the Arm's Length Management Organisation being brought back into the Council and is due to expire in April 2024 however, work is underway to extend the contract beyond this time. As part of decision making around the extension of the contract there have been concerns from Members and a lack of confidence in reported data and performance. We note there are limitations with the existing contract, which was established as a partnering contract, and lacked appropriate details to facilitate robust contract and performance management. For example, there was a lack of detail within the contract in terms of performance management and requirements of both parties. Whilst the contract award report did provide further detail over expectations around continuous improvement, options for changing targets, the implementation of improvement plans, invoking of penalties or changes to exclusivity arrangements, these were not applied

during the original contract term. Senior management acknowledged the pitfalls of the partnering contract which should have evolved during the contract term and to strengthen arrangements and improve effectiveness of the contract moving forward the Contractor is working on a new Target Operating Model.

- 3.5 Additional positive work was underway to develop a repairs playbook and rulebook, guides for officers providing clarity over reporting expectations and timescales and key repairs definitions to ensure the correct treatment of a repair from the outset. In addition work was undertaken with the contact centre to ensure calls are dealt with appropriately at the first point of contact.

Contract Management Meetings

- 3.6 A range of regular meetings were held between the Council and Contractor, including a weekly Client/Contractor meeting and weekly meetings between the Strategic Lead Assets and a senior officer from the Contractor. We saw evidence of issues being escalated, particularly in relation to compliance KPIs. There were also weekly meetings introduced to focus on Work in Progress (WIP) and in particular to oversee actions for the reconciliation of data from the Contractor and from the Council's QL system to help ensure performance reporting is accurate and complete.
- 3.7 Weekly Client/Contractor meetings were attended by a large number of operational officers and minutes produced. In reviewing the minutes we made a number of observations which in our view may affect the effectiveness of these meetings. More detail is provided in the recommendations table but includes the large volume of areas discussed, missing information, robust and clear recording of action points and the successful tracking of these from one meeting to the next. Suggested improvements should be considered in formalising future contract management activity.

Key Performance Indicators

- 3.8 There was a suite of 20 key KPIs which were established at the commencement of the contract and formed the basis of audit testing (these are listed in the tables in Appendix 2 and 3). KPIs were being reported to the Strategic Partnership Board (SPB) and key elements were also reported to the Housing Services Improvement Board (HSIB). We highlighted some discrepancies, for example the figure being reported in relation to emergency work was the number 'attended' on time rather than 'completed' and a further six indicators had not been defined in the KPI criteria document to confirm the method of calculation and timescales in order for the service to be 'on time.'
- 3.9 A new, more comprehensive management dashboard was recently created which includes new indicators following key legislation changes. This is reviewed by management on a weekly basis and also forms part of reporting to the HSIB this will help in providing assurance over wider elements of service delivery.
- 3.10 We did note a lack of coordination in the compilation of voids related data leading to some confusion amongst officers regarding current KPI information on voids. This was due to the reporting of data by three different groups: the

Contractor, the new tenancy team and the business analyst team. The varied parameters used in compiling the data meant that the figures differed from each source and were not comparable. We were therefore unable to validate any of this data.

Validation and Data Quality Checks

- 3.11 Data for ten of the twenty main KPIs, predominantly within the mechanical and electrical areas, was being validated to source documents by Council officers. For example all compliance certificates for mechanical and electrical inspections were viewed by officers and saved to file.
- 3.12 However, performance data was largely supplied by the Contractor with little or no supporting evidence or underlying records to corroborate the position being reported, this was the case for half of the KPIs. Our discussions with key officers indicated that there was an awareness that the figures reported by the Contractor were often inaccurate and did not match the Council's view of performance. In instances where the Council's records did not agree to the Contractor's data, we were concerned over the ability to reconcile the figures given challenges over the completeness and accuracy of some data and the sustainability of reconciliation activity given previous attempts had proved to be very time and labour intensive. Management confirmed that the recent introduction of regular reconciliation work of the Work in Progress (WIP) should give greater confidence over all of the figures going forward.
- 3.13 The lack of validation checks for some elements of performance limits assurance over the accuracy and completeness of those data sets. As part of audit testing, we attempted to validate the performance reported for the KPIs although we were unable to do this for half of the key performance indicators. This was because no underlying data had been provided by the Contractor at the time of reporting and was not supplied to us when requested, during the audit. The table in Appendix 3 provides further information about this.
- 3.14 In some instances where underlying data for the performance indicators was provided, we were unable to reconcile the figures reported (along with key officers) and therefore gain assurance over the accuracy of the position being reported. For example, for August, the percentage of jobs completed on first visit was reported by the Contractor as 76.7% however when we selected complete jobs from the raw data it showed 70%. Whilst in this case the raw data provided came from within the Council, the Contractor input the figures into their weekly reporting and did not provide on request the underlying reconciliation. The Contractor stated this was due to the size of the underlying data sets, however this highlights the poor Contractor management and relationship between the parties.
- 3.15 Where we were able to undertake testing (validation of the performance data reported to underlying, base data), for example for mechanical and electrical KPIs, we identified some errors as a result of data being manually input into excel rather than being extracted directly from the system. In these cases, there was an overreliance on excel spreadsheets and a number of very time-consuming practices. For example, the spreadsheet for electrical testing had over 12,000 properties and each certificate was manually filed and data manually input into excel. We also highlight that this time-consuming task was

often being undertaken by senior quantity surveyors which impacted significantly on the time available to undertake post completion quality inspections. This therefore had a direct impact on the Council's assurance over the quality of work completed by the Contractor and exposes the Council to risks should a lack of compliance with contractual, quality and/or legislative requirements go undetected. Management confirmed to us that they are working towards all data being on QL and the reduction of spreadsheets, this was already evident for Damp and Mould and Disrepairs data which has moved from spreadsheets to QL.

IT Issues

- 3.16 IT and system issues were a factor in the challenges associated with obtaining a single view of the performance position. There was a lack of clarity over QL reporting parameters which had been set a number of years ago and whether these could be contributing to discrepancies in reported figures. For example, the Contractor reported 94.7% of work orders completed by appointment for August however the same report extracted from QL created a figure of 51.7%. Officers were unclear what the parameters within the reporting were or why there could be substantial differences between the figures. The table in Appendix 2 provides further details on the figures reported.
- 3.17 In 14 out of the 20 KPIs there were issues with the interfaces between the system used by the Contractor (Castleton) and QL which caused discrepancies with the reporting. For instance we were told that QL only keeps a record of the first appointment made therefore performance information for jobs where there have been multiple visits will always be inaccurate. The systems and interface were also slow and therefore it was time consuming to complete data quality checks.
- 3.18 IT access to the Contractor's system was limited; some officers were able to view read only, however others, including the Business Analysts were not able to view any information within the Castleton system due to lack of permission which prevented officers from being able to view the current position or more easily investigate discrepancies where identified.

Other Areas of Concern

- 3.19 Where 'fails' were identified from compliance inspections, for example gas and electrical, follow up jobs were manually raised and saved onto a spreadsheet and were often not being followed up by the officer raising the request to ensure that these had been completed. For one example of emergency lighting servicing, there had been a number of fittings that failed the test that constituted an almost full block failure. A request was emailed to management however this was not followed up on and no subsequent job was raised. This exposes the Council and Residents to increased risks if work to rectify non-compliant inspections are not resolved in a timely manner.
- 3.20 Minimal quality checks were being completed on works undertaken by the Contractor and Subcontractors. For example, we were told that there should be quality checks completed on 10% of all repairs jobs and on properties with a Landlord Gas Safety Record (LGSR) and we did not see any evidence of

these checks having been completed for over 12 months (although we note that all compliance certificates were checked). We were told this was due to staffing issues within Housing Services. Additional administrative support was included within the new structure proposals which would provide additional capacity to support with administrative tasks allowing Senior Quantity Surveyors to complete more inspections which we support.

- 3.21 There were a number of gaps in the performance data where work was undertaken by a subcontractor as the Contractor's system was not always completed with relevant data / evidence submitted by subcontractors therefore the ability to validate the performance information was limited. We were told this supporting information was provided by the subcontractors but was not uploaded by the Contractor onto their system due to staffing issues.
- 3.22 Whilst out of the scope of this review, we found that the performance data and performance did not include any indicators related to costs and did not appear to be linked to payments requested by Equans. Operational staff were unclear how the charging operated or how charges were reconciled. In the absence of a head of repairs it was unclear who was coordinating this. We were told that work is underway to make improvements in this area.

Executive Summary C**Internal Audit Report 2023/24****Children's and Education Services****Financial Health Check: St Francis R.C Primary School****Distribution - This report is confidential for the following recipients**

Name	Title
Lynn Elder	Head Teacher
Matthew Gee	Chair of Governors
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Carol Culley	Deputy Chief Executive and City Treasurer
Fiona Ledden	City Solicitor
Paul Marshall	Strategic Director, Children's and Education Services
Amanda Corcoran	Director of Education & Skills
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Draft Report Issued	10 July 2023
Final Report Issued	19 January 2024

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Governing Body and the Local Authority over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities.	Limited
Long term financial planning, budget approval and monitoring and recovery planning.	Limited
Key financial reconciliations.	Reasonable
Expenditure, specifically purchasing and payroll.	Limited
Income collection and recording.	Limited

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
Update the Scheme of Delegation/Financial Procedures to address the issues raised in our report and	Significant		Action completed
Minutes of Governing Body meetings should confirm all discussions, as well as any actions/decisions reached.	Significant		Action completed
The draft CFR should be approved at the next meeting of the Governing Body and signed by the Chair and Head Teacher.	Significant		Action completed
Financial reports should be produced in time for Finance Committee meetings.	Significant		Action completed

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
A costed three-year development plan should be developed and then approved by the Governing Body.	Significant	6 months	30 April 2024
Arrangements for completion of payroll reconciliations should be strengthened to include timely and evidenced completion and approval.	Significant	6 months	Action completed
Quotations should be obtained to demonstrate the best value for money option is taken for all purchases over £2,000. If exemptions set out in the Schools Financial Regulations apply, approval should be sought by Governors which should be minuted.	Moderate	9 months	Action completed
Staff should be reminded of the need to comply with the School's Financial Regulations and Schools own SoFD and FPs for all purchasing activity.	Significant	6 months	Action completed
Arrangements for use of the school debit card should be strengthened to ensure transparency, value for money and controlled access to the card.	Critical	3 months	Action completed
Arrangements for the collection of school meals income should be updated to ensure that the school meals patterns and free school meals status for all pupils are correctly recorded on SIMS. Procedures for the monitoring and collection of arrears should be implemented, with a clear policy introduced for the recovery of debt.	Critical	3 months	Action completed
A school lettings policy should be developed to set out the approach to lettings.	Critical	3 months	Action completed

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
This should be supported by procedures for the administration and management of the lettings process, including written agreements.			

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 The 2023/24 Internal Audit plan included an allocation of time to complete financial health checks at a sample of Local Authority maintained schools. St Francis R.C. Primary was selected as part of this programme of audits, due to concerns raised by MCC's Schools Finance Team in relation to the school budget/cashflow position, issues identified at the last audit and also changes in the leadership/finance team. This review was completed as a site visit to review paper records and documentation. Internal Audit have reviewed evidence and this report summarises the outcome of our assessment.

1. Conclusion and Opinion

- 2.1 We are only able to provide Limited assurance at this stage over the adequacy, application and effectiveness of financial control systems operating at the school. This is due to the number of critical and significant risk recommendations made in the report (3 critical, 7 significant). We are particularly concerned over issues we raised as critical risk recommendations and consider initial focus should be on these areas. Specific concerns have been raised in relation to the school debit card procedures; level of school meals debts and implementing policy and procedures for the collection of arrears; and ensuring that written agreements are held for any lettings of the school building/grounds to third parties.
- 2.2 We do acknowledge that the school has been through a challenging period; there have been changes in leadership and the Business Manager has been on sick leave since June 2022. Some roles and responsibilities have been covered by agency staff from October 2022 as an interim measure. It has

been confirmed that the School Business Manager will not be returning to her role due to ill health/retirement and therefore the Head Teacher has recently been able to start the recruitment process to appoint a replacement Business Manager, which should help to bring stability to the School's financial management arrangements.

- 2.3 During the audit, the Head Teacher advised that a number of unpaid invoices had been discovered, which dated back up to two years. Subsequent payment of the invoices, totalling c£70k, had a significant adverse impact upon the budget/cash position of the school during 2022/23 and had also taken the already limited financial support away from day-to-day planned activities. The Head Teacher also reported issues with accessibility to financial information for an interim period following her appointment, which prevented effective oversight and scrutiny of School finances.
- 2.4 We have directed the recommendations for improvement at the Head Teacher to lead on implementation. However, we would expect that once a new School Business Manager is in post that this individual would assume responsibility for leading on the implementation of recommendations.

2. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 Testing showed that new starters and leavers were set up on payroll correctly and on a timely basis and that leavers were removed promptly.
- 3.2 The Head Teacher has implemented a process where the Chair of Governors is copied into all staff pay rise requests, to ensure Governor oversight and scrutiny of decisions.
- 3.3 Bank reconciliations were up to date and signed to confirm preparation/review. Suitable backing documentation was held on file. We gained assurance that unreconciled items had been dealt with on a timely basis.
- 3.4 School is cashless and minimal cash is therefore held. We also noted that safe access was restricted to the Head Teacher.

Key Areas for Development

- 3.5 We have made three critical, seven significant and one moderate risk recommendations to help improve financial controls across the school. The critical and significant risk recommendations specifically relate to the following issues:
- The Scheme of Financial Delegation (SoFD) and Financial Procedures (FP) should be updated to cover all key financial systems and controls, with appropriate version control implemented. The up-to-date version should be presented to the Governing Body for approval and shared with staff with financial responsibilities, to ensure that they are working to the correct version.

- Minutes of Governor meetings should provide evidence of key discussions and include all actions/decisions reached.
- The draft CFR should be approved at the next meeting of the Governing Body and signed by the Chair and Head Teacher. A clear timetable should be introduced for 2023/24 to ensure timely and accurate reporting of the school's financial position at year-end. All relevant financial reports should be timed to be produced in accordance with the schedule of Finance Committee/Governing Body meetings so that information can be properly scrutinised by Governors.
- The Head Teacher and School Business Manager should ensure that a record is maintained of any meetings held to discuss the budget with formal meetings on at least a monthly basis.
- A costed three-year development plan should be developed, which should then be approved by the Governing Body.
- Payroll reconciliations should be undertaken on a monthly basis. Records should be signed and dated as evidence of completion and review.
- All higher value purchases should be reviewed, challenged, and approved by Governors and if the school are applying an exemption this should also be approved by Governors before the purchase is made.
- Purchasing controls should be improved to ensure compliance with the Financial Regulations and Scheme of Delegation and Financial Control document for all purchases. In particular purchases must be raised on FMS in advance of the purchase being made with the supplier, all suppliers should be paid within 30 days unless there is a dispute with regards to the order.
- The school should seek to establish if the cost of the Hotel Football event should be reimbursed to the School by the Cluster.
- The system and processes around the use of the debit card should be reviewed.
- The current arrangements for the collection of school meals income and the monitoring of arrears should be reviewed, ensuring that the school meals patterns and free school meals status for all pupils are correctly recorded on SIMS, with policy and procedures implemented.
- A school lettings policy and procedures to set out the school's approach to lettings should be implemented. This should include the types of lettings, charges etc. Written agreements should be in place for all third-party use of the premises. A lettings agreement for the arrangements with the before and after school club provider should be developed.

Executive Summary D**Draft Internal Audit Report 2023/24****Children's and Education Services****School Financial Health Check: Manchester Hospital School**

Distribution - This report is confidential for the following recipients		
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Fiona Ledden	City Solicitor	
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Draft Report Issued	4 January 2024
Final Report Issued	11 January 2024

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Local Authority and Governing Body over the adequacy, application and effectiveness of financial control systems operating at your school.	Substantial	

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Substantial
Long term financial planning, budget approval and monitoring	Substantial
Key financial reconciliations	Substantial
Expenditure, specifically purchasing and payroll	Substantial
Income collection and recording	Substantial

Summary of Key Actions	Risk	Priority	Planned Action Date
There have been no significant or higher risk recommendations made in this report so no key issue to report. Moderate risk recommendations are detailed in the action plan.	n/a	n/a	n/a

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1. The 2023/24 Internal Audit plan included an allocation of time to complete financial health checks at a sample of Local Authority maintained schools. The Manchester Hospital School was selected as part of this programme of audits, due to elapsed time since the last audit review.

2. Conclusion and Opinion

- 2.1. We can provide **substantial** assurance over the adequacy, application and effectiveness of financial control systems operating at the school. Overall there were strong financial controls with our testing demonstrating good compliance with these controls, including timely completion and oversight of key reconciliations and evidence of best value being sought for higher value purchases. Budget setting and control arrangements were also strong, and although the School is projecting a small cumulative deficit at the end of the three-year budget, the School Business Director has plans in place to mitigate this. More detail is provided on these issues plus further significant and moderate risk recommendations in Appendix 1.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1. There is an up-to-date and comprehensive Scheme of Financial Delegation.
- 3.2. There is regular reporting on budget monitoring to both the Resources Committee and the Governing Body. The annual budget was taken to governors prior to approval, governors' questions were documented and answered, budget assumptions are reasonable, and the budget was submitted to the Local Authority within the deadline.
- 3.3. All key reconciliations (bank and payroll) were up to date with checks evidenced and authorised by both the School Business Director and Headteacher, monthly.
- 3.4. The School operations are cashless, therefore the risk of loss and misappropriation of money when handling cash and the associated administration has been reduced.
- 3.5. Good separation of duties in place over purchasing arrangements, requisitions were in place and authorised for all purchases including for the purchase card. Supporting records including analysis of various options and minutes of meetings were retained to show discussion and decision making on larger purchases.
- 3.6. Payroll controls are strong. Payroll monitoring was thorough, up to date and authorised. For starters and leavers all relevant documentation was in place, including pre-employment checks, personnel records and notification to payroll. The Single Central Record was up to date for those tested.

Key Areas for Development

- 3.7. We have made four moderate risk recommendations to help further strengthen the already strong financial control at the School, specifically relating to the following issues:
- Records should be retained to support monthly budget monitoring meetings held with the Head Teacher. We have recommended a standard document is developed that shows key discussion points as well as actions and decisions made.
 - Purchasing procedures should be updated to include formal checking and sign off of invoices for payment as this is not currently a standard check for all purchases. The checks to be completed and certified should include confirmation that the invoice matches or is lower in value than the order raised and that the goods or service have been received. Responsibility for certification of invoices should be outlined in the Scheme of Financial Delegation.
 - Whilst the financial procedures document is comprehensive overall it did not detail who should complete, review and approve the monthly bank reconciliations. The procedures should therefore be updated to include this detail.
 - Purchase cards should be retained in the safe and treated as controlled stationery with a log for usage, they are currently held on the person by the card holders.

Executive Summary E**Internal Audit Report 2023/24****Corporate Services, Adults Finance****Direct Payments (Financial Reviews)****Distribution - This report is confidential for the following recipients**

Name	Title
Helen Wright	Directorate Finance Lead, Responsible Officer
Simon Finch	Head of Finance, Adults Social Care and Public Health, Accountable Officer
Tracy Cullen	Assistant Director Adults Social Care
Caitlin Chapman	Service Manager Complex Needs
Ashlyne Daly	Direct Payments Team Manager
Councillor Akbar	Executive Member
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Tom Wilkinson	Deputy City Treasurer
Bernadette Enright	Executive Director of Adults Social Services
Fiona Ledden	City Solicitor
Amelia Salford	External Audit (Mazars)

Report Authors

Lead Auditor	Peter Gallagher	35247
Lead Auditor	Chris Radford	35221
Audit Manager	Emma Maddocks	35269
Head of Audit & Risk Management	Tom Powell	35273

Draft Report Issued	19 September 2023
Final Report Issued	5 December 2023

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance that arrangements are in place to complete financial reviews of Direct Payment expenditure	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Policies, procedures, and processes have been established to support the council in obtaining customers records	Substantial
Expenditure is reviewed in line with the citizens support plan	Limited
Where concerns are identified they are appropriately managed and reported in a timely manner	Reasonable
The arrangements in place support the prevention and detection of fraud	Reasonable

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
All accounts, including managed accounts, should be audited on a risk basis.	Significant	6 months	30 April 2024
The processes for transferring a case from self-managed direct payments to either a managed account or 'virtual' budget need to be strengthened.	Significant	6 months	30 April 2024
New agreements with citizens should be obtained when the standard agreement is updated or where there is a change in nominee or authorised person.	Significant	6 months	30 April 2024

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1. Direct Payments are a key component in providing person centred care and allow citizens greater flexibility and control over their own care. In March 2023 there were 582 Citizens in receipt of Direct Payments with a value in excess of £12M per annum. The Direct Payment Audit team's (DP Audit Team) role is to provide assurance that this expenditure is consistent with the defined care plan, in order to ensure that any underspend, overpayments or inappropriate spend is identified and addressed.

2. Conclusion and Opinion

- 2.1. We are only able to provide limited assurance over the financial reviews of Direct Payment expenditure. This is because managed accounts, where a third-party company supports the administration of the direct payment, which equate to approximately two thirds of cases are not reviewed. The decision not to review managed accounts was made some time ago based on capacity concerns about the team and the belief that these were lower risk cases. An ad-hoc review of managed accounts was undertaken by the Team Manager for Direct Payments (in conjunction with the managing accountants) which identified over £2M in underspend, which was subsequently returned.
- 2.2. We also identified a number of other issues regarding the financial reviews, these included:
- Out of date agreements with citizens (or their representatives).
 - The lack of an effective mechanism to withdraw the option of Self-managed Direct Payments when they are not complying with their obligations.
 - Insufficient details where family members act as personal assistants.
- 2.3. Although outside the scope of this audit, and as such not forming part of our assurance opinion, the current guidance was that family or 'close friends' were not required to have a DBS Assessment, with others either requiring a DBS or a formal opt out by the recipient. This increases the safeguarding risk to citizens, particularly with regard to 'close friends', as such we have included a recommendation to address this issue.

3. Summary of Findings

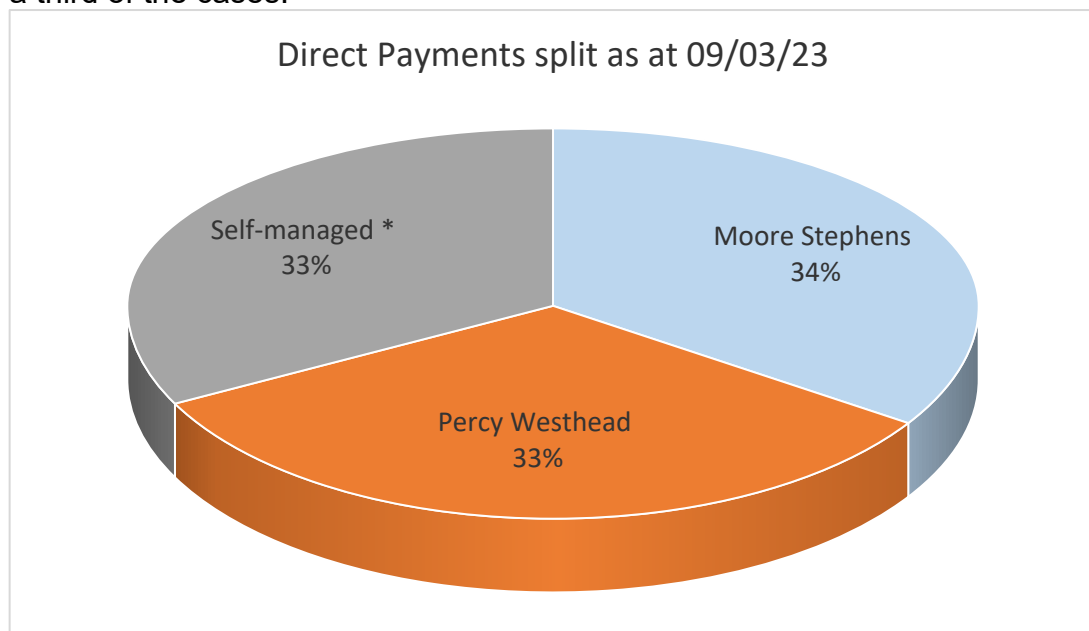
Key Areas of Strength and Positive Compliance

- 3.1 There was a Direct Payment Audit Policy, ample guidance and procedures to officers, standard templates for correspondence to citizens, and a customer information pack which provided details on their responsibilities and templates for the recording of expenditure and payroll. It was clear that the key documents were periodically reviewed (for example the Customer information pack had been updated just before the 2023/2024 payroll period).

- 3.2 The service had developed a process to monitor all self-managed cases. This included regular reviews to determine when new Direct Payments were agreed with the citizen. As part of our work, we successfully reconciled the Liquid Logic Adults System (LAS) records to the monitoring sheets of the service.
- 3.3 Each case was subsequently monitored, and its status on the monitoring sheet was updated as necessary to determine when audits were required, where audits were up to, who was the allocated worker, the results of the audit, and where necessary the recovery of underspend or inappropriate spend. In the year 2022/23 the team identified £745,239.36 of underspend, unaccounted spend and Inappropriate spend and had recovered £566,305 of this. However, it was explained that the team may choose not to recover all underspend, because they may be a result of timing issues or (in conjunction with the care team) because of the citizens individual circumstances.
- 3.4 We reviewed a small sample of audits, and identified no material issues with the timeliness, calculations, judgments, opinions, and subsequent correspondence to citizens. The work undertaken was well recorded by the service and attached to the citizens record in LAS, along with any subsequent correspondence.

Key Areas for Development

- 3.5 At the time of our audit there were 582 citizens in receipt of direct payments, this was split between self-managed accounts, and accounts managed by two companies (Percy Westhead and Moore Stephens). With each having roughly a third of the cases.



*Self-Managed accounts include two accounts which although supported by a third party (like Moore Stephens and Percy Westhead) are still audited in line with self-managed accounts.

- 3.6 The DP Audit team currently consists of 2.5 Officers and only audit the self-managed accounts, leaving two thirds of cases unreviewed. We were advised that this decision was made on the basis that there was insufficient resource to audit all the accounts and externally managed accounts were deemed lower risk. The DP Audit team completed 227 Audits in the year (22-23) with a further 81 having a status of awaiting information, 17 in Progress, and 3 on hold. Should managed accounts be audited on the same basis the team would not have sufficient capacity to undertake this work.
- 3.7 In discussions with the DP Audit team, upon the closure of an externally managed citizen (e.g., when the citizen dies) a final account is provided, and any underspend is returned. However, the Team manager for the Direct Payments team undertook a review of the externally managed accounts which identified £2M in underspend (for continuing Citizens), this was subsequently returned. Based on this, the business identified that there is a need for underspend to be identified and recovered in a timely manner.
- 3.8 As part of our sample, we identified two cases which have both had significant repeated and ongoing issues with engagement, in one of these cases going back at least five years. Where citizens (or their representatives) fail to abide by the terms of the Direct Payment agreement the procedure is for the DP Audit Team to contact the Social Work Team as well as the Direct Payment Team who have the option to transfer the case to either a managed account or a virtual budget. In both cases this had been done repeatedly, to no avail and the cases remained self-managed, despite routinely failing to keep to the terms of Direct Payment agreement. These types of cases take up a disproportionate amount of the DP Audit Team's time.
- 3.9 Agreements with the citizen were in place for 9/10 of the cases we reviewed, the exception was a citizen in receipt of Direct Payments for well over eleven years (i.e. prior to the introduction of MiCare, the precursor to Liquid Logic.) However, it was clear that these agreements were not updated on a regular basis as there were a variety of different formats with agreements dated between 2011 to 2022. It should be noted that in four of these cases replacement agreements had been signed as there had been issues with the previous representative. New agreements were not obtained as a matter of routine when the standard agreement was updated or changed.
- 3.10 The latest direct payment agreement stipulates close relatives who live in the same household cannot be employed using the personal budget. We identified a number of PA's in our sample who were clearly related to the Citizen, however it was impossible to determine the exact nature of their relationship or where the PA's lived.
- 3.11 It is mandatory for Personal Assistants (PA's) who are not a 'close family member or friend' to have a Disclosure and Barring Service check (DBS) (undertaken by the Council). Where it is not mandatory, the Council still 'strongly recommends' for checks to be undertaken, but if not for a waiver document to be completed. We obtained a list from the DBS Team, and it was

clear that checks are being undertaken, however none of our sample had a DBS nor could we find any waivers.

Executive Summary F

Internal Audit Report 2023/24

Corporate Services, Adults Services

Adults Quality Assurance

Distribution - This report is confidential for the following recipients

Name	Title
Paul Covell	Assistant Director Adults Social Services, Responsible Officer
Elizabeth Garrett	Practice and Learning Development Consultant
James Binks	Interim Deputy Director of Adults Social Services,
Bernadette Enright	Executive Director of Adults Social Services, Accountable Officer

The final report will also be issued to the following recipients

Councillor Robinson	Executive Member
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Tom Wilkinson	Deputy City Treasurer
Fiona Ledden	City Solicitor
Amelia Salford	External Audit (Mazars)

Report Authors

Audit Manager	Emma Maddocks	35269
Head of Audit & Risk Management	Tom Powell	35273

Draft Report Issued	19 December 2023
Final Report Issued	3 January 2024

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance that there is an effective Quality Assurance Framework in place for Adults Social Care	Reasonable	Medium

Sub objectives that contribute to overall opinion	Assurance
The design of the framework	Reasonable
Governance including roles and responsibilities	Reasonable
Compliance with framework requirements	Limited
The sufficiency of management information to support challenge, learning and decision making	Reasonable

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
The Practice and Learning Development Consultant should ensure that the new Adults QA framework is launched to all Adults Services social work staff.	Significant	6 months	TBC
The Practice Learning and Development Consultant should lead the development of a scoring framework for Practice Supervisors to use when completing QA audits. These opinions could be moderated on a sample basis by Social Work Consultants in developing the monitoring reports to the QA Board to ensure consistency across areas.	Significant	6 months	TBC

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 The Care Act 2014 came into force on 1st April 2015. This introduced major changes to practice for adults in assessment, support and safeguarding. To be compliant with the Care Act, new policies and procedures were introduced by Manchester City Council and by the Manchester Safeguarding Adults Board.
- 1.2 In response to the implementation of the Care Act and outcomes of a Peer Review, along with Manchester Adult Social Care's commitment to providing high quality social work practice, a Quality Assurance and Improvement Framework (QAIP) was developed and implemented. However, with the introduction of the strengths-based approach to assessment and safeguarding, it was identified by senior management that the framework needed to be updated to support this approach to practice with a new framework being introduced in January 2022.
- 1.3 The QAIP is a key element of assurance for management over the quality of social work practice. It is a crucial source of intelligence and should provide confidence to management, stakeholders and Members that practice is undertaken in line with legislation, policy and procedure.
- 1.4 Internal Audit have been liaising with senior management to agree the timing of an audit of the new framework and agreed that we would allow at least 12 months for new working arrangements to embed before undertaking this work. We agreed that 2023/24 would be a good time to review arrangements and provide assurance over the new framework.

2. Conclusion and Opinion

- 2.1 We are able to provide reasonable assurance that that there is an effective Quality Assurance Framework in place for Adults Social Care. This opinion is based on the revised framework that has been developed by the Practice and Learning Development Consultant since our audit fieldwork started rather than the initial framework presented to us at the start of the audit. The initial framework presented to us was only operational on a very limited basis and the majority of assurance activity was not taking place. We are satisfied that the changes made and presented to us in the revised framework are significantly more streamlined with responsibility for QA activity and oversight

of the framework being combined into a single management line reporting through to the Practice and Learning Development Consultant. Supporting templates have also been developed to bring clarity to the approach to be taken and all staff responsible for completing audit activity have been briefed on their responsibilities, timelines for audits and the documents they should use to complete the work. Reporting templates have been developed to provide summary updates on assurance activity through to the QA Board.

- 2.2 Our assurance opinion on the original framework presented to us at the start of the audit and how it was operating would have been limited. The reasonable assurance assessment is on the basis that the revised framework will be implemented as set out in plans and that the assurance activity described in the framework becomes embedded in operational activity to provide regular assurance over social work activity. We are confident from discussions with the Practice and Learning Development Consultant and from review of the new framework documentation that arrangements are now in place to ensure this happens. However, if activity does not become embedded our assurance would move back to a more limited opinion.
- 2.3 To support delivery and embedding of the framework we consider it is essential that the launch of it is communicated out to all Adults Social work staff whose work may be quality assured as part of the process so they are able to understand and support the framework requirements.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 A recent review of the Framework has been completed, resulting in ownership and oversight of the entire framework being brought into one management line under the Practice and Learning Development Consultant having previously been owned across two areas (the safeguarding element being overseen by the Head of Safeguarding and Quality Assurance and the regular casework under the Principal Social Worker). Since ownership has moved the framework has been updated, expanded and strengthened with clear ownership and responsibility clearly allocated for undertaking audits.
- 3.2 A clear timeline has been established for launch of the framework and for completion of the first batch of audits within the framework.
- 3.3 An Assurance Board is in place, chaired by the Assistant Director, Adults Services where the outcomes of audit activity and other activities from the QA framework are reported and challenged.
- 3.4 The most recent version of the framework has significantly expanded the areas for audit. In the original version shared at the start of the audit, framework plans were in place to complete safeguarding and casework audits as well as ongoing audits of supervisions. In the new version plans are also in place to complete regular audits of strength-based assessments, support

- planning, mental capacity act assessments and case notes. This provides significantly more breadth in the assurance over social work activity.
- 3.5 Support has been obtained from PRI to develop audit tools with reporting, to obtain samples for audits and to develop reports to support reporting of activity and outcomes of audits.
 - 3.6 The framework has a variety of methods of assurance including direct observations, feedback from citizens, peer reviews and performance monitoring including statutory returns.
 - 3.7 The Practice and Learning Development Consultant has developed a QA platform on Microsoft teams where all QA related documents can be accessed by staff involved in delivery of the framework. Included on the platform is a QA tracker which will be used to track all recommendations made through audit activity. Also included are copies of the audit tools and a section for QA reporting where the outcomes from individual audits are retained, collated and used to report into a summary report to the QA Board.
 - 3.8 We were invited to attend the event where the Practice and Learning Development Consultant launched the new framework to staff responsible for completion of audits and outlined roles and responsibilities, details of audit tools and outlined timelines for completion of activity. From this we are assured that staff responsible for completing the assurance activity have been made clear as to the requirements of them as well as timescales for completion of this activity.

Key Areas for Development

- 3.9 We have made four recommendations for improvement as part of this audit, two of which are rated a significant risk and two are rated moderate risks.
- 3.10 A vital area for development to support the embedding of the framework in operational practice is to launch and share the details of the QA framework with social work staff. The framework in place at the start of our review had not been shared with staff and in interviews completed during the audit staff from across a range of roles confirmed they were not aware there was an existing QA framework in place and had not received audits in a significant period of time. Managers interviewed were concerned that if details of the framework were not shared with staff that they would be nervous and anxious of any audits and less likely to want to engage for fear of what might happen with the results.
- 3.11 We also consider that current proposals to not provide assurance opinions at the end of each QA audit to the worker whose case is being audited and their line managers should be revisited. We have recommended that standard opinions should be developed and included within the QA framework and that each Practice Supervisor completing audits should provide an opinion to staff as well as providing areas of strength and areas for development. If opinions are not provided to staff but are added at the stage of reporting through to

senior management, there is a risk of a lack of openness and transparency in the process.

Appendix Three: Audit Reports Issued 2023/24

Audit Area	Audit Status	Assurance Opinion	Council Impact	
Children's and Education Services				
Brought Forward (BFwd) Ofsted Governance	Final	Assurance Report	High	
BFwd Early Years Casework management		Reasonable	Medium	
BFwd Supporting Families Programme		Reasonable	Medium	
BFwd School of the Resurrection: Financial Health Check		Limited	Medium	
BFwd Foster Care Payments		Limited	Medium	
Schools: Financial Value Standard		Completed Return to DfE	Medium	
Education- Safer Recruitment in Schools- Camberwell Park - Follow Up		Implemented	Low	
Education- Safer Recruitment in Schools- Collyhurst Nursery School – Follow Up		Implemented	Low	
Education- Safer Recruitment in Schools- St Andrews C of E Primary School – Follow Up		Partially Implemented	Low	
Education- Safer Recruitment in Schools- Loreto High School – Follow Up		Implemented	Low	
Education- Safer Recruitment in Schools- St Peters RC High School – Follow Up		Partially Implemented	Low	
Education- Safer Recruitment in Schools- St Philips C of E Primary School – Follow Up		Implemented	Low	
Education- Safer Recruitment in Schools- St Wilfrid's Primary School - Follow Up		Implemented	Low	
Schools: Safer Recruitment Follow Up – Overall Report		Partially Implemented	High	
BFwd Oswald Road Primary School: Financial Health Check		Limited	Medium	
St Francis RC: Financial Health checks		Limited	Medium	
Manchester Hospital Schools		Substantial	Medium	
St James Primary School		Draft	Limited	Medium
Manley Park Primary School			Limited	Medium
BFwd Peel Hall Primary School: Financial Health Check			Limited	Medium

Audit Area	Audit Status	Assurance Opinion	Council Impact
Moston Fields Primary School		Limited	Medium
Manchester Primary PRU	Fieldwork	Set at Draft Report	Medium
Schools: Business Management and Financial Controls Assessment			Medium
Schools: Cyber Security			High
Education, Health and Care Plans			High
Manchester Secondary PRU			Medium
Benchill Primary School			Planning
Rodney House	Medium		
St Peter High School	Medium		
Moston Lane	Medium		
Children's Disability Services	Medium		
Early Years and Education System: Data Quality	High		
Placement Finding Service	Defer	Defer to 2024/25 Risk Assessment	
Elective Home Education / Alternative Provision			N/A
Schools: Assurance Mapping			N/A
Supporting Families	Cancelled	Certification no longer required	N/A
Health and Care (Adult Services)			
BFwd Adaptations	Final	Limited	Medium
Adults Direct Payments		Limited	High
Adults Quality Assurance		Reasonable	High
Mental Health	Planning	Set at draft report	High
Adults Performance Reporting			Confirmed at Planning
Public Health – integrated care system			
Integrated Health and Care			
Better Outcomes Better Lives			
Corporate Core			
BFwd Contracts Risk Management	Final	Reasonable	High
BFwd Factory Project: Work Packages		Reasonable	High
ICT Assurance: Public Service Network Code of Connection 2023		Assurance Report	High
Contracts: Our Town Hall Work Management of Post Procurement Cost		Reasonable	High
Financial Systems: Vendor Creation and Amendment Follow Up		Partially Implemented	High

Audit Area	Audit Status	Assurance Opinion	Council Impact	
Financial Systems: Imprest Accounts		Limited	Medium	
Grant Certification: Net Zero Pioneer		Certified	Mandatory	
Grant Certification: Changing Places Fund		Certified	Mandatory	
NEW Grant Certification: Family Hubs and Start for Life Programme		Certified	Mandatory	
Communications – Translations Service		Advice and Guidance on management of freelance staff		
Workforce: Officer Gifts and Hospitality	Draft	Limited	Medium	
Contracts: Adults Contract Governance Follow Up	Fieldwork	Set at Draft Report	Medium	
Workforce: Joiners, Movers, Leavers – Contractor ID Badges			Medium	
Counter Fraud: National Fraud Initiative			High	
Financial Systems – Adults Payments – Amended to Adults Budget Management	Planning		High	
Workforce: Recruitment			High	
Core Financial Systems – Legal Services			Medium	
ICT Assurance: Assurance Mapping			High	
Financial Systems: Foster Carer Payments Follow Up		Medium		
Financial Systems: Treasury Management	Not Started	Confirmed at Planning		
Financial Systems: Spend Analysis				
Financial Systems: Assurance Mapping				
Financial Systems: Parking				
Information Governance: Data Management Policy				
Contracts: Factory Project Assurance	Defer		Defer to 2024/25 Risk Assessment	N/A
Contracts: Zero Carbon				
Contracts: Adult Social Care Providers				

Audit Area	Audit Status	Assurance Opinion	Council Impact
Neighbourhoods			
BFwd Homelessness Rents Team: Review of Core Processes	Final	Reasonable	Medium
Housing Services: Fire Risk Assessment		Limited	High
NEW Grant Certification: Suzanne Lacy Uncertain Futures		Certified	Mandatory
Waste Management Contract		Reasonable	High
NEW Repairs and Maintenance Contract (Housing) Performance Management and Reporting		Limited	High
Homelessness: A Place Called Home – Amended to Homelessness: Commissioning and Contract Management	Fieldwork	Set at Draft Report	Medium
Housing Services: Assurance Framework			High
Housing Services: Complaints	Planning	Set at Draft Report	Confirmed at Planning
Highways: Off Street Parking		Set at Draft Report	Confirmed at Planning
Fire Risk Assessment: Follow Up		Set at Report	High
Highways: Delivery Management	Defer	Defer to 2024/25 Risk Assessment	N/A
Growth and Development			
BFwd Unauthorised Building Work	Final	Limited	Low
BFwd Biodiversity Net Gain Grant Certification		Certified	Mandatory
Disabled Facilities Grant Certification		Certified	Mandatory
Homes Upgrade Grant Certification		Certified	Mandatory
Major Projects Assurance	Draft	Reasonable	High
Unauthorised Building Work: Follow Up Review	Planning	Set at Draft Report	Low
Building Control - Amended to Planning Viability Assessments			Medium
Biodiversity Net Gain Grant	Certification no longer required	Cancelled	N/A

Appendix 4: Basis of Audit Assessment

Level of	Description
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Assurance	
The level of assurance is an auditor judgement applied using the following criteria	
Substantial	Sound system of governance, risk management and control. Issues noted do not put the overall strategy / service / system / process objectives at risk. Recommendations will be moderate or minor.
Reasonable	Areas for improvement in the system of governance and control, which may put the strategy / service / system / process objectives at risk. Recommendations will be moderate or a small number of significant priority.
Limited	Significant areas for improvement in important aspects of the systems of governance and control, which put the strategy / service / system / process objectives at risk. Recommendations will be significant and relate to key risks.
No	An absence of effective governance and control is leaving the strategy / service / system / process open to major risk, abuse or error. Critical priority or a number of significant priority actions required.

Priority		Assessment Rationale	
The priority assigned to recommendations is an auditor judgment applied using an assessment of potential risk in terms of impact and likelihood.			
Critical	Significant	Moderate	Minor
Actions < 3 months	Actions < 6 months	Actions < 12 months	Management discretion
<ul style="list-style-type: none"> • Impact on corporate governance • Life threatening / multiple serious injuries or prolonged work related stress • Severe impact on service delivery • National political or media scrutiny • Possible criminal or civil action • Failure of major projects • SMT required to intervene. • Statutory intervention triggered. • Large (25%) impact on costs/income • Impact on the whole Council. 		<ul style="list-style-type: none"> • Some impact on service governance • Some risk of minor injuries or workplace stress • Impact on service efficiency • Internal or localised external scrutiny • Procedural non-compliance • Impact on service projects • Handled within Service • No external regulator implications • Cost impact managed at Service level • Impact on Service or Team 	

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 13 February 2024

Subject: Outstanding Audit Recommendations

Report of: Head of Audit and Risk Management

Summary

In accordance with Public Sector Internal Audit Standards, the Head of Audit and Risk Management must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”. For Manchester City Council this system includes reporting to directors and their management teams, Strategic Management Team, Executive Members and Audit Committee.

This report summarises the implementation position at the end of December 2023.

Recommendations

The Committee is recommended to consider the assurance provided from the follow-up of outstanding audit recommendations.

Wards Affected: ALL

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

None

Equality, Diversity, and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit, work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue = None

Financial Consequences – Capital = None

Contact Officers:

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Name: Tom Powell

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Internal Audit progress reports to Audit Committee

- Outstanding Audit Recommendations Report to Audit Committee – July 2023

1 Introduction

- 1.1. Audit Committee are provided with regular reports on actions taken to address outstanding high priority recommendations made by both Internal and External Audit.
- 1.2. There are four categories of recommendation priority: critical, significant, moderate, and minor. This report provides the details of progress to address outstanding recommendations in the high risk (critical and significant) categories and an update on proposed next steps. This report focuses solely on Internal Audit recommendations, as there are currently no External Audit recommendations being tracked.
- 1.3 This report also includes an update on progress made by school to address recommendations from school audit reports.

2 Background

- 2.1 Internal Audit follows up management actions on high-risk recommendations at least quarterly to obtain assurance that progress is being made to address risk. Management is required to provide demonstrable evidence to show that agreed actions have been implemented. Internal Audit considers this evidence and may choose to re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.
- 2.2 Where a limited or no assurance opinion is issued, a full follow up audit is undertaken after 6-12 months to test whether agreed areas for improvement have been addressed.
- 2.3 In addition to recommendations agreed as part of planned assurance reviews, we have now formalised our approach to capturing and tracking recommendations made through audit investigations. In specific circumstances where we find systemic control weaknesses or gaps, we will produce an action plan for management, identify action owners and agree implementation dates. Critical and significant recommendations will be monitored via the existing processes.
- 2.4 Where system related issues are found, we may include them in standard recommendation reporting to Committee but that may not be appropriate in all cases, for example, if the recommendation relates to actions needed to be taken to reduce the risks of fraud or theft where publishing to the public at large would present an increased likelihood of crime. For completeness we will continue to report progress on all counter-fraud related audit activity to the Committee through the Counter Fraud Annual report.
- 2.5 Progress made in the implementation of agreed actions is reported quarterly to Directorate Leadership Teams (DLTs), Strategic Management Team (SMT) and Audit Committee. Executive Members are notified of high priority recommendations reaching six months overdue. At nine months overdue,

Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and progress to either address or accept the reported risks.

- 2.6 In accordance with Audit Committee expectations, the risk relating to recommendations that are not fully implemented will not be written back to Strategic Directors when they are over 18 months past the agreed implementation date. Directors will continue to attend this Committee to outline the reasons for delay and mitigating actions that they consider have reduced risk exposure to a tolerable level.

3 Current Implementation Position Update

- 3.1 The position in terms of high priority internal audit recommendations is summarised below. Implemented recommendations are described in detail at Appendix 1. Overdue recommendations are detailed in Appendices 2,3 and 4.
- 3.2 This report relates to Council activities only.

Outstanding Recommendations – over 12 months

- 3.4 There are four recommendations that are over 12 months old.
- 3.5 Avro Hollows Tenants Management Organisation (TMO) – three recommendations are 12 months overdue as reported previously to Audit Committee. An Independent Review is underway and will result in a report and an action plan of areas for development. The Independent Reviewer has been provided with details of the audit issues reported to the TMO and it is intended that the report will be used as the basis for determining whether actions have been suitably addressed. We expect to be able to conclude follow-up and update on exposure to risk by the time of the next Audit Committee update.
- 3.6 Privacy Notices – We previously reported the partial completion of a recommendation in this area around the tailoring of privacy-related information to be more child-friendly and easy-to-read. The Data Protection Officer has carried out a review of good practice across other organisations and has drafted updated content. This has been approved as meeting corporate communications standards and is with managers in the relevant business area for final confirmation prior to publication. Whilst this is fundamentally complete we will wait to confirm this is live and accessible to the public before closing as fully implemented.

Overdue Recommendations – 6 to 12 months

- 3.7 There are 7 recommendations that have been overdue for between six and twelve months:
- Vendor Creation and Amendment (1) – this recommendation is partially implemented but is remaining open to help ensure that that this remains a

focus in the design and implementation of the new finance (ERP) system. We will formally refer this finding to the project at year end for confirmation that controls to manage the risk of duplicate vendors are integrated in the new system design.

- Social Value Monitoring (1) – a recommendation relating to banked hours on a specific expired framework remains partially implemented as previously reported to Audit Committee. If actions are not addressed by year end the Accountable Officer will attend Audit Committee to update Members on reasons for the delay and actions to be taken to respond to risk. Beyond this specific recommendation it is positive that the new contract management system is being launched across the Council and includes specific workflow for recording and monitoring social value outcomes and will further help drive consistency. This is in addition to social value portals that are already in place for tracking outcomes across specific service areas including highways and construction.

3.8 Adaptations Review (2) - There were four recommendations outstanding from our Adaptations Review audit that had been partially implemented. Two of these were over 6 months overdue and the other two were 1-6 months overdue. A follow up audit confirmed the decision to insource this service, which is currently delivered through a combination of Council Services and Housing Registered Providers. The decision to integrate all provision in the Council has meant that these recommendations are no longer relevant and have been superseded by this fundamental change in delivery model. We have made one overall, new recommendation to ensure that the risks highlighted in the audit are addressed in the new service and will track this new action through to completion.

3.9 Adults Care Package Payments (3) - We are in the process of completing a follow up audit in this area with a report due to be issued in March. The Service took the decision to undertake a larger redesign of processes than was envisaged at the time the audit was finalised, with audit recommendations now integrated as part of this wider and more substantial change process. Whilst this has delayed the dates of implementation of our original recommendations, the new operating model should address the issues identified and set the service up for improved, sustainable long-term operations. Significant work has been undertaken and there has been evident progress, but the iterative project methodology has meant we are only able to consider recommendations partially implemented at this stage. The outcome of the follow up audit will be reported to Audit Committee once complete.

Overdue Recommendations – 1 to 6 months

3.10 We are tracking 15 recommendations that are now in this category:

- Adult Social Care: Contracts Governance
 - 2 partially implemented
- Contracts Risk Management
 - 1 partially implemented
- Review of Fire Risk Assessment Process - Residential Properties
 - 3 partially implemented

- 4 not implemented
- Council Tax Discounts and Exemptions
 - 1 not implemented
- Imprest Accounts
 - 2 partially implemented
- Building Control
 - 2 not implemented

4 Recommendation

- 4.1 Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

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Appendix 1 – Implemented Recommendations

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Adaptations Review	31 May 2023	As part of the wider review of adaptations delivery consideration should be given to bringing the delivery and oversight of Manchester Housing Operations adaptations back under the MEAP team.	Agree with this recommendation. The current resources from Northwards/Manchester Housing Services would need to move over to support this including the manager, 3 technical officers and business support.	This recommendation is implemented. The Manchester Housing Services adaptations work will move back into the MEAP team with effect from 1 April 2024. Internal Audit opinion: Implemented	No further action required
Adaptations Review	30 June 2023	<p>Responsibility for completion of the smaller RPs adaptations should be reallocated away from the three large RPs to allow them to focus their resources on their own adaptations. Options include allocating smaller RPs work back into the City Councils MEAP team or alternatively, asking the small RPs to complete their own adaptations.</p> <p>The procedures and workflows developed as recommended at recommendation two should be shared with all landlords and smaller RPs to ensure they are clear on their own role in the completion of adaptations.</p>	There is a proposal to bring the smaller RPs back in house which is to be discussed for approval at SMT. However there may still be issues particularly around resources which may still lead to an inconsistent offer for residents with no consistency around waiting times, quality/cost and hand-offs. We could also explore options around the delivery model for the Lead RPs and establish their appetite to continue to deliver their tenants' major adaptations and consider whether that responsibility should be transferred back to MEAP. Additional resources would be required to transfer back to MEAP	Responsibility for completion of smaller RP adaptations has been brought back into the City Council and is now being completed by the MEAP team. Internal Audit opinion: Implemented	No further action required.

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			but this would be funded by the additional fee income generated.		
Climate Change Action Plan (CCAP) - Reporting	31 October 2023	The Zero Carbon Manager (in conjunction with Strategic Lead Resources & Programmes) should review the RAG report to ensure that it provides a clear consistent overview of progress. We have suggested potential headings that could be considered. We would also suggest that the original numbering system may provide improved consistency across the reports over time.	Having considered the feedback, we think that with the recent revisions the current RAG system works. We will, however, take on board the feedback and reinforce the message of the need for realistic and consistent RAG ratings within the Zero Carbon Team, with Action owners and with Workstream Leads.	The RAG report on progress in the monitoring report had been amended to ensure that it was consistent with the messages reported elsewhere in the CCAP monitoring report, whilst the ratings had been reviewed since the previous report and realistic assessments had been made on the progress of activity. Internal Audit opinion: Implemented	No further action required
Climate Change Action Plan (CCAP) - Reporting	31 October 2023	The Strategic Lead for Resources and Programmes, should ensure that the known significant risks to delivery of the CCAP are included in both the quarterly and annual report.	We will include more detail on risks to the delivery of actions within the Plan. We will also include details of wider risks such as those presented by national energy policy and national funding policies and programmes which are essential to us being able to deliver but which are out of our direct control.	A new section had been added to the monitoring report highlighting the strategic challenges associated with CCAP delivery, and where possible identifying mitigating actions. Through discussion we also understand that specific challenges had also been discussed with relevant stakeholders. It should be noted that the Council's emissions remain within the carbon budget set in the CCAP 2020-25. Internal Audit opinion: Implemented	No further action required
Homelessness – Shared Accommodation	30 November 2023	A review of the policy and procedure documentation should be undertaken to ensure that sufficient detail is included with	Draft to be finalised and shared with MCC Trans Inclusion Working Group for sign off.	The refreshed Transgender Inclusion Policy for the Homelessness Service has been approved and signed off by the	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>regard to utilising single sex accommodation to accommodate individuals in transition and the rationale for this approach</p>		<p>Trans Inclusion Working Group and the Equalities Team.</p> <p>Internal Audit opinion: Implemented</p>	
Imprest Accounts	31 December 2023	<p>A framework of roles and responsibilities in relation to imprest accounts should be developed. This should include:</p> <ul style="list-style-type: none"> • Scrutiny of reconciliations by managers and departmental finance staff. • Monitoring of bank balances. • Assurance over timely delivery of corrective actions (where required). • Guidance on when and how issues should be escalated, including to Internal Audit as appropriate. <p>Once agreed, this should be communicated to all relevant staff and compliance with the framework should be monitored.</p>	<p>The Imprest Accounts operational guidance will be redrafted to ensure it sets out day to day responsibilities for account holders, and include the additional wider roles and responsibilities, that will include those of:</p> <ul style="list-style-type: none"> • Service managers – required to undertake regular reconciliations and ensure that cash is spent in line with approved business case. • Departmental finance staff – provide both support to imprest holders, and also an extra layer of control to ensure reconciliations are being done on an ongoing basis, provide assurance that cash is spent in line with approved business case and that cash is the most appropriate route for funding expenditure. • Corporate Finance – regular review and reporting on imprest bank balances and reconciliation status. <p>Once complete the updated guidance note will be made available on the intranet and</p>	<p>The Imprest Accounts policy has been redrafted and approved. This includes guidance on all the issues suggested in our recommendation, including a dedicated section on staff roles and responsibilities.</p> <p>Internal Audit opinion: Implemented</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			<p>communicated to all relevant staff.</p> <p>Compliance with the guidance will be monitored and reported as part of the regular integrated performance and budget report.</p>		
Imprest Accounts	31 December 2023	<p>A clear procedure for the approval, set-up and regular review of the business need for all imprest accounts should be developed and approved. This should include a template request form and should give details of who should approve requests for accounts.</p>	<p>With immediate effect any new requests for imprest account will be considered by both the relevant departmental Finance Lead and Exchequer Services Manager, in order that the ask can be assessed and reviewed and determined that an imprest account is the correct approach.</p> <p>As part of the revised guidance on imprest accounts, clear guidance will be included on setting up and establishing new accounts. This will also require prior discussion and approval from the departmental Head of Finance, with notification being provided to the Core Finance Team. The guidance section will be drafted by both finance staff and the Exchequer Services Manager to ensure both angles are covered.</p>	<p>The redrafted Imprest Accounts policy includes guidance on expectations in this area.</p> <p>A template request business case form has been developed and all account holders have been asked to complete this.</p> <p>Internal Audit opinion: Implemented</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			<p>An imprest request business case form will be created for new requests, this will include various levels of approval and will be included as part of the guidance along with a suite of other forms that will seek to standardise reconciliations, record of usage and initial set up and closure. These will all be included as part of the updated guidance note.</p>		
Foster Care Payments	28 February 2024	<p>The process for setting up and making payments, ensuring the accuracy of payments and recovering overpayments seemed complex and involved staff from across a number of different teams including social workers, the foster care team, payments team and placements team. In terms of investigating issues of overlaps in payments even more teams can be drawn into the process including in some instances adults' teams. At the time of completing the audit fieldwork there was no overarching process map for the whole process demonstrating where for example one teams role finishes and the other starts. We are aware from the debrief meeting that a Finance Manager is in the process of re developing process maps including both the</p>	<p>This work is included in the boards remit.</p> <p>We have undertaken a review of the roles of commissioning officers and CPT linked to contro and CPLI's.</p> <p>End to end process maps to be defined and developed, to incorporate all stages from placement to payment.</p> <p>Reporting identified by PRI to be built for the service to carry out monthly checks on duplicates and make necessary changes in Liquid Logic to CPLIs. This will need to be communicated to the Payments Team for potential overpayments to be clawed back.</p>	<p>We have confirmed that there are end to end process maps now in place for the whole foster care payments system covering the work of the various teams involved in the process. Therefore we consider this recommendation to be fully implemented.</p> <p>Internal Audit opinion: Implemented</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		inputting of and making payments.			

Appendix 2 – Recommendations Over 12 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Avro Hollows Tenants Management Organisation (AHTMO)	30 June 2022	Formal recording of repair requests was through a spreadsheet but were only added to the spreadsheet at the point they were approved for referral to the external repairs' contractor. The TMO Manager informed us that there was no structured record of repair requests that were refused, and that minor repairs passed to the handyman were recorded in carbonated job request books. Jobs referred to Housing Operations were not recorded.	Agreed - The Head of Housing Services should seek assurance from the AHTMO Manager over the recording and management of requests for repair at the point of receipt.	An external review of AHTMO operations has been commissioned, the progress made with implementing audit actions will be considered as part of this. Internal Audit opinion: Partially implemented	Director: Becca Heron, Strategic Director of Development Lead Officer: Martin Oldfield, Head of Housing Services Executive Member: Councillor White Status: 19 months overdue Action: Final position to be confirmed following Investment Review
Avro Hollows Tenants Management Organisation (AHTMO)	30 Sept 2022	The Head of Housing Services should seek assurance from the TMO Manager over the completeness of the local policy for assessing repair quality and resident satisfaction, and the extent of compliance with expectations in the Modular Management Agreement.	Agreed	As above	As above
Avro Hollows Tenants Management Organisation (AHTMO)	30 Sept 2022	The Head of Housing Services should seek assurance from the TMO Manager over completeness and accuracy	Agreed	As above	As above

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		of performance monitoring, including the frequency of resident satisfaction surveys.			
Privacy Notices	31 Oct 2022	<p>The Data Protection Officer (DPO) should co-ordinate an exercise to assess privacy notices and whether they are tailored to user groups identified as unlikely to understand the standard information given. Where required amendments are identified, the DPO should agree target timescales for delivery of these amendments with relevant officers.</p> <p>Formal consideration of the intended audience could be added to the scope of periodic reviews to ensure full coverage and evidence decision making as to whether tailored information is required in specific circumstances.</p>	Agreed	<p>The assessment identified four service areas where a tailored privacy notice would be beneficial. These all fell within the remit of the Directorate Senior Information Risk Owner (DSIRO) for Children's, Education and Adults.</p> <p>The DPO has undertaken a review of best practice from other Councils and has drafted some simplified information intended for children to understand the Council's arrangements with regard to privacy. Following internal review and comment this is expected to be published by the end of February 2024.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Director: Fiona Ledden, City Solicitor and Senior Information Risk Owner</p> <p>Executive Member: Councillor Craig at time of report issue – now Councillor Akbar</p> <p>Status: Fifteen months overdue</p> <p>Action: Final confirmation of implementation to be presented to the next Committee meeting.</p>

Appendix 3 – Recommendations between 6 and 12 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Vendor Creation and Amendment	30 April 2023	<p>The Exchequer Services Lead should define and establish arrangements for the regular review of the vendor master file in its entirety, to identify duplicate or unused vendors and ensure that these are blocked from future use.</p> <p>We anticipate that support will be required from ICT in providing relevant data to enable this review to take place.</p>	<p>Agree to recommendation. Exchequer Services takes part in the NFI (National Fraud Initiative) every 2 years which identifies duplicate accounts on our vendor records. This is currently taking place (late 2022). In addition to this an annual check of the VMF (vendor master file) will be added to the year end / new year schedule. There will also be a joint exercise as part of the ERP work to rationalise vendors.</p>	<p>The Systems Change Team will be exploring options for the enhancement of validation functionality as part of the new corporate finance system project.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: Nine months overdue</p> <p>Action: Internal Audit to formally refer risk to project team to incorporate in ERP replacement system planning.</p>
Social Value Monitoring	31 March 2023	<p>Prompt action should be taken to ensure there are appropriate processes in place to ensure the timely use of banked hours received from the small works framework contractors before its expiry.</p> <p>This should also consider reminders to relevant officers of the need for hours to be redeemed along with appropriate timescales. This may also be used to generate ideas/proposals for use of banked hours should this be required.</p> <p>Decision making and the recording of approval to use banked hours should be determined to ensure consistency, fairness, and transparency. Mechanisms for</p>	<p>Agreed. The Social Value Governance Board will discuss options for use of the banked hours at its next meeting in October.</p> <p>Work is also being undertaken with Corporate Estates to discuss options for use of social value contributions for ongoing maintenance work in community asset transfer properties and how this could work in future iterations of NWCH frameworks.</p>	<p>The small works framework has now expired (end of September 2023). However, proposals for use of the remaining hours were approved by the Head of Integrated Commissioning and Procurement and were shared with the Social Value Board earlier in the year.</p> <p>We were informed that some social value will continue to be delivered after the framework's expiry as the hours owed take effect from when the client is in contract with the contractor so we will still be realising social value on those specific jobs.</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: Nine months overdue</p> <p>Action: Update requested from Head of Integrated Commissioning and Procurement. If assurance not obtained by year end then Service Head and Director to attend Audit Committee to explain delays / challenges and plans to reduce risk.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		reporting the outcome of used hours should also be developed.		<p>We have requested further detail from the service on the extent of banked hours remaining and proposals for their use. As such we consider this to be partially implemented.</p> <p>Internal Audit opinion: Partially implemented</p>	
Adaptations Review	30 June 2023	A centralised workflow with supporting procedures should be produced to map the end to end process for delivery, including defined timescales for each process stage; from initial request, through assessment, to decision and completion of adaptation and sign off the work. This should clearly identify the point at which adaptations pass between the various partners involved in the process and the documentation that should be completed.	This already exists and is in the appendices of the SLA but will be reviewed and updated to match the revised DFG guidance and then annually.	<p>This has been completed as part of the design of the new case management system for the process that is completed by MEAP. No further work has been completed on wider partner systems as they are now working to transition all adaptations work back into MCC. The workflow is covered in the existing SLA.</p> <p>We have concluded in our follow up audit that the decision to bring all adaptations work back into MEAP superseded this recommendation and that the follow up report will make a new recommendation that reflects this fundamental change in circumstances.</p>	<p>Director: Bernie Enwright, DASS</p> <p>Executive Member: Councillor Robinson</p> <p>Status: Classed as superseded and no longer relevant. Audit focus will be on review of action to address new recommendation in follow up audit report.</p>
Adaptations Review	30 June 2023	Options for achieving a more consistent and streamlined approach for recording and tracking adaptation requests must be considered. There are several	MEAP are in the process of implementing Case Manager from Foundations (a cloud-based database that will address this recommendation and has the	Our follow up review has confirmed that MEAP now have the database in place for all work completed within the team. This was not rolled out to	<p>Director: Bernie Enwright, DASS</p> <p>Executive Member: Councillor Robinson</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>different options that could be considered to achieve this; specifically:</p> <ul style="list-style-type: none"> • Develop a centralised database on which all adaptations work is documented from the completion of initial assessment through to completion and sign off the work, which can be accessed by MEAP and all RPs. • Develop a standard approach to recording adaptations activity across all adaptations with a single spreadsheet between MEAP and each of the RPs for their work. • Develop a set of minimum standards for documenting adaptations activity. Each RP and MEAP will therefore be required to meet these minimum standards for their records but will still maintain ownership of their monitoring records and there will be no shared access. <p>If the option chosen does not involve shared records between MEAP and the RPs, then MEAPs waiting lists should be regularly shared with each RP so that they have clarity on the numbers on the MEAP waiting lists that may come through for adaptations in their area.</p>	<p>capability to cover all tenures/landlords). It will provide a comprehensive recording and tracking system with excellent performance management capability built in. (Subject to confirmation there will be no GDPR issues regarding sharing information/system can adequately limit access to information by user etc). MEAP have requested a Liquid Logic change to be able to report on the RP waiting lists and will be able to provide this as soon as the change/report has been actioned.</p>	<p>other RPs as it was not possible due to GDPR restrictions. The existing SLA that was in place at the time of the audit setting out documentation requirements is still in place and the decision has been taken not to explore this any more given the plans to bring all adaptations work back into the MEAP team by September.</p> <p>We concluded in our follow up audit that the decision to bring all adaptations work back into MEAP superseded this recommendation and that the follow up report will make a new recommendation that reflects this fundamental change in circumstances.</p>	<p>Status: Classed as superseded and no longer relevant. Audit focus will be on review of action to address new recommendation in follow up audit report.</p>
Adults Care Package Payments	30 June 2023	The Deputy Director (Adult Social Care), supported by the LAS and ContrOCC Steering Board, should	This is a key part of the project work which is in progress. Whilst this is priority, the expansion of	We are in the process of completing a full follow up audit in this area with a report due to	Director: Bernadette Enright Executive Director, Adults Social Services

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>identify, and agree (with respective management) service standards for each activity from creation of CPLI's to Invoice reconciliation and dispute resolution.</p>	<p>the Brokerage Team (planning for go live April 2023) and the creation of a ContrOCC 'system hub' team will necessitate changes in process which need to be designed and implemented alongside the agreement of service standards (including for other services involved in the overall process)</p> <p>The planned completion date reflects critical dependency with these other priorities.</p>	<p>be issued in January. The service took the decision to undertake a larger redesign of processes than our audit recommended with our recommendations picked up as part of this wider redesign. Whilst this has delayed the implementation of our recommendations, if successful the new operating model should address the issues identified and set up the service for improved long term operations. For this recommendation it is clear that significant work has been undertaken and there has been progress, although the iterative project methodology has meant we are only able to consider it partially implemented.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Executive Member: Councillor Robinson</p> <p>Status: Six months overdue</p> <p>Action: Completion and reporting of follow up audit. If this confirms risk remain then Director to be asked to update Audit Committee on proposed actions to reduce risk.</p>
Adults Care Package Payments	30 June 2023	<p>The Deputy Director (Adult Social Care) should lead in the production of integrated guidance for the CPLI to payment processes. This guidance needs to include:</p> <ul style="list-style-type: none"> • The standards in Recommendation 1. • Team specific operational responsibilities. 	<p>As above, this work is a key part of the project work in progress. Again, as the way in which the teams who interact with the process will be changing in two key ways (expansion of the brokerage team, and creation of a system hub team) – it will be necessary to sequence this work</p>	<p>As above</p> <p>Internal Audit opinion: Partially implemented</p>	<p>As above</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<ul style="list-style-type: none"> • What each Team can expect from others. • Processes for dispute resolution (when CPLI and Invoices don't reconcile), and how responsibility for this is appropriately allocated to the correct team. • Expectations of management review of activity. 	to facilitate those functions becoming operational.		
Adults Care Package Payments	30 June 2023	<p>The Deputy Director (Adult Social Care), supported by the LAS and ContrOCC Steering Board and by PRI, should identify what management information could be produced (and how often) to support the monitoring of these processes. Reports linked to service standards (from recommendation 1) detailing how long various aspects of this process take could be key to driving improvements.</p> <p>Examples of this could include reports covering how long it takes:</p> <ul style="list-style-type: none"> • The charging team to complete a financial assessment • The brokerage team to identify providers • The brokerage team (or Social worker) to set up a CPLI • Team managers to approve CPLI • Payments team to respond to failures to reconcile. <p>Team management should use this information, for example during</p>	<p>A data quality scorecard is now in place which has identified an initial collection of metrics including for example 'number of authorised CPLIs not activities'. This will develop in parallel with the work described above and our wider work to improve data quality over the coming months.</p>	<p>As above</p> <p>Internal Audit opinion: Partially implemented</p>	As above

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		supervisions or one to ones, to support service improvement.			

Appendix 4 – Recommendations between 1 and 6 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Adaptations Review	31 August 2023	<p>The Adaptations SLA should be reviewed, updated, and formally agreed as a priority, and reviewed / revised annually thereafter. Consideration should be given to including representatives from the RPs in the initial review to ensure the future SLA is balanced and includes the requirements of both the City Council and the RPs.</p> <p>Once the SLA between the City Council and the three main RPs is in place, SLAs should also be developed with the smaller RPs for adaptations work completed for them. These SLAs should be consistent with the requirements of the main SLA.</p> <p>As part of the refresh of the SLA the performance reporting requirements and current performance indicators should be reviewed and revised. This should include performance reporting from the RPs on their activity and should include consideration of what performance information it may be useful to report to the RPs from MEAP.</p> <p>The Adaptations Policy should also be reviewed annually.</p>	<p>Agreed. The RPs and Northwards were involved in setting up the original SLA. Meetings will be set up with Lead RPs and Housing Services to take this forward. However, refer to actions below for recommendation 3 which may affect this.</p> <p>The ongoing discussion and a decision in relation to bringing the smaller RPs back in house will resolve many of the issues identified as one framework would be utilised.</p> <p>Agree, PI's need to be simple, informative and what is required. We will use the new DFG guidance as a format.</p> <p>We do always update the Adaptations Policy when there is any change to policy or legislation/legal rulings etc. And will arrange an annual review.</p>	<p>We have confirmed that a draft SLA was developed and shared with partners but a decision has since been taken to bring all adaptations work back into the Council by the end of September 2024.</p> <p>No further work will therefore be completed on a revised SLA and management confirmed that the existing SLA was still in place and that action had been taken in key areas to address ongoing issues, for example in relation to ongoing contributions to works by the RPs. Workstream meetings will continue to be held with RPs with frequency likely increasing and these meetings will be used to support transition arrangements.</p> <p>We concluded in our follow up audit that the decision to bring all adaptations work back into MEAP superseded this recommendation and that the follow up report will make a new recommendation that reflects this fundamental change in circumstances.</p>	<p>Director: Bernie Enwright, DASS</p> <p>Executive Member: Councillor Robinson</p> <p>Status: Classed as superseded and no longer relevant. Audit focus will be on review of action to address new recommendation in follow up audit report.</p>
Adaptations review	31 August 2023	<p>In the review and revision of the SLA recommended at recommendation 1 above; the requirements around quality checks should be clearly</p>	<p>Agree with the need to include within the SLA and creation of standard document. If the three Lead RPs continue to deliver their own major</p>	<p>As outlined for the recommendation relating to development of an SLA above, we have confirmed that due to the decision to bring adaptations work</p>	<p>Director: Bernie Enwright, DASS</p> <p>Executive Member: Councillor Robinson</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		articulated and consideration should be given to developing a standard document to be completed demonstrating quality checks have been completed prior to handover.	adaptations, there is an option for MEAP Technical Officers to sign off all completed works across all tenures but additional resources will be needed to do this. It is Important that there is independent sign off that the works delivered are appropriate and meet Assessment of Need and this will provide robust quality assurance.	back into the MEAP team there is no longer a plan to implement a new SLA. Therefore no revisions will be made to process for quality checks. We concluded in our follow up audit that the decision to bring all adaptations work back into MEAP superseded this recommendation and that the follow up report will make a new recommendation that reflects this fundamental change in circumstances.	Status: Classed as superseded and no longer relevant. Audit focus will be on review of action to address new recommendation in follow up audit report.
Adult Social Care Contract Governance	30 June 2023	<p>Management should explore options for addressing the capacity issues currently faced by the Contracts Team which is limiting the progression of planned development work to strengthen the impact of the team.</p> <p>All proposed improvement actions should be consolidated into a single action plan with target timescales for completion. Appropriate monitoring mechanisms to track progress with the action plan should be established.</p>	<p>1) The 4th Contract Officer appointed is currently going through post interview process. Once in post, the Adults directorate will have a Contracts Officer covering each of the 4 large service areas (LD, MH, Homecare and Older People bedded care).</p> <p>2) The Contracts Team is further expanding to include 2x Grade 5 Contract Support Officers to support with the wider growth and service delivery of the function</p> <p>3) The Head of Contracts has ambitions to grow the team further to expand its operational oversight of service delivery. This area of growth will be assessed through Q4 of 22/23 and into Q1 of 23/24</p> <p>4) The Controcc programme of work is gathering pace and the creation of a 'hub' which will</p>	<p>Whilst some progress was made initially to increase the capacity of the team, this remains an area of challenge for the team. In recent months, temporary cover from existing resources has been sourced to cover portfolio areas and plans are being reviewed to potentially split certain portfolios to ensure there is sufficient capacity.</p> <p>The Controcc work is progressing with oversight of delivery of this programme provided by the programme Board. Once issues are addressed, this will free up the time of the contracts team to better focus on contract management activity and proposed development work. As such, we consider this recommendation to be partially implemented.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Director: Bernadette Enright Executive Director, Adults Social Services</p> <p>Executive Member: Councillor Robinson</p> <p>Status: Six months overdue</p> <p>Action: To progress with follow up review to determine and assess progress.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
			form outside of the contracts team remit will increase Contract Officer capacity to undertake Contract Management activities. The Controcc programme activities will commence over Q3/Q4.		
Adult Social Care Contract Governance	30 September 2023	Active contract management/monitoring of providers for those areas of a contract not covered as part of the PQI team monitoring should begin. These should aim to seek assurance on an ongoing basis over areas including: -Social value -Carbon reduction -Provider payments -Ongoing financial resilience of providers. -Capacity. -Other KPIs not covered by PQI team.	It is noted that a focus on assurance on the areas listed require a collaborative approach across a number of functions, supported by contracts including commissioners and Finance. 1) The developments covered under action 1 responses will create capacity in the contracts team to undertake Contract Management activities. 2) The team are currently being set objectives and drafting workplans for each portfolio area. This will be concluded by the end of November. 3) For LD and MH services – We are now establishing quarterly SCRUM meetings with 3 critical suppliers in each service area to commence from January 2023. We will be rolling this out to homecare and bed based care provision during Q4. 4) Complete the Contracts Team SOP by April 2023 5) Work with Commissioners to implement non-Quality based KPIs for new Contracts (April to September 2023).	We confirmed progress has been made to enhance assurance over providers including the roll out of contract uplifts to all Manchester based providers to help in their continued financial sustainability. Previously planned Supplier Contract Review and Utilisation Meetings (SCRUM) have been piloted which should help in better identifying risks and pressures and discussing any finance or performance related issues. There was recognition from management that whilst the initial pilot proved beneficial there are further tweaks needed to improve the process before the wider roll out of these across providers. Social value and carbon reduction requirements within contracts and subsequent monitoring activity continues to be challenging although planned procurement of the Mental Health and Learning Disability contracts should help to ensure any current gaps and shortfalls are addressed. As such, we consider this recommendation to be partially implemented. Internal Audit opinion: Partially implemented	Director: Bernadette Enright Executive Director, Adults Social Services Executive Member: Councillor Robinson Status: Three months overdue Action: To progress with follow up review to determine and assess progress.

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Contracts Risk Management	31 August 2023	<p>Means of gaining assurance over gold contracts and the timeliness of this should be assessed to provide a greater understanding of the scrutiny, assurance, and operational monitoring of the Council's most critical contracts.</p> <p>This should be viewed against the current requirements of the Due Diligence Framework to optimise the intelligence and assurance we have over gold contract suppliers. We would expect this information to then be used to provide an assessment of the risk exposure level relating to each gold contract and allows for preventative/reactive measures to be taken in response to risks identified.</p> <p>We have provided a list below of potential details to be captured on the monitoring sheet although recognise this is not exhaustive:</p> <ul style="list-style-type: none"> • Company key details, company number, parent company details, sub contractor details, • Supplier financial data, claims, early payments, external funding, financial resilience • H Score – Company watch • Overall risk rating – operational risk • Contract management data – risks/issues, Contract management plan • Contract/spend data – original contract price, actual contract 	<p>The recommended action above picks up on two related but distinct elements: due diligence (particularly in relation to the economic and financial standing of suppliers) and performance management. On the first of these, ICP will explore with contract managers how we can refine the Due Diligence framework recording accordingly, although some of the above issues relate more to the second element, performance management. ICP will work with Major Contracts Leads to develop a more consistent summary reporting pro forma which could be reviewed by the Major Contracts Board and Directorate Management Teams. It will be important in this to make the reporting as streamlined as possible.</p>	<p>Integrated Commissioning and Procurement (ICP) produce a high level summary of key risks and issues for gold contracts to the Major Contracts Board, including an overall RAG rating, and summary position from the relevant contract manager regarding whether performance is meeting expectations, whether social value is being delivered to expectations, risk of financial pressures on the contract (a key risk currently given the high inflation rates this year) plus any issues for the Board to be aware of.</p> <p>ICP have commenced, from September and October 2023, new quarterly meetings with directorate management teams to run through their contractual positions (all contracts not just gold), spend with suppliers and the recommissioning plans. A standard information pack has been developed for each DMT, including H-scores on suppliers, which will be refined further following completion of the initial round of meetings.</p> <p>The due diligence framework is sent to managers of gold and silver contracts. ICP are currently working with the contract management system supplier to add the relevant fields into the system, which will be used going forward instead of capturing</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: Four months overdue</p> <p>Action: To assess supporting documentation once received.</p>

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		price, variance, payments history (disputes, aged POs, credits) <ul style="list-style-type: none"> • Continuity data – BCP, test of BCP • Re-procurement details/ • Operational performance data – KPIs, project schedule data, H&S, contract compliance, relationship management status. • Risk/issues – ones to watch 		information on word documents and emails. We are awaiting documentation to support the progress described which we will then assess ahead of closing the recommendation. Internal Audit opinion: Partially implemented	
Review of Fire Risk Assessment Processes (Residential Properties)	30 September 2023	A coordinated approach is needed to ensure the Council is appropriately addressing all fire safety related recommendations related to its residential buildings. This includes actions made as part of fire risk assessments, those made in EWS1/PAS9980s and any other relevant recommendations. This should incorporate an assessment of ongoing budget provision, procurement options for the commissioning and delivery of required works and the prioritisation of works to ensure work is planned efficiently and in alignment with other priorities. Parameters and expectations for jobs to be undertaken by the various teams (repairs and maintenance/minor works) should be defined and communicated to provide clarity and ensure consistency.	A Fire Safety Strategy will be developed with Strategic Housing for the overarching management and delivery of Fire Safety Actions and other building safety remedials as a result of EWS1/PAS9980 assessments for all residential buildings. Specific attention will be in respect of roles and responsibility and accountability across the Council at Senior Management level.	Progress has continued building on previous updates reported to Audit Committee. A suite of documents have been produced making up the Council's Fire Safety Plan and Fire Safety Management Procedure. This includes the overarching management and delivery of FRA actions and other building safety remedials. This also outlines the key roles and responsibilities. Whilst the procedures are now operational, as these had yet to be approved by the Housing Board we consider this to be partially implemented until approval is sought in February 2024. Internal Audit opinion: Partially implemented	Director: Neil Fairlamb, Strategic Director: Neighbourhoods Executive Member: Councillor White Status: Three months overdue Action: To continue to request updates from the service and evaluate progress.
Review of Fire Risk Assessment Processes	30 September 2023	A robust corporate access strategy should be developed to define the processes to be followed in the	Strategic Housing and Housing Services reviewing the Refusals and Access Policy to	Further progress has been made with this recommendation. This has consisted of a joint meeting of	Director: Neil Fairlamb, Strategic Director: Neighbourhoods

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
(Residential Properties)		<p>event a resident will not allow access to complete required works.</p> <p>This should be developed in conjunction with advice from legal services and include escalation routes should access not be granted.</p> <p>Once finalised officers should be briefed on the policy and the requirements of the policy and implemented as soon as possible.</p> <p>Works and attempts to gain access should then be prioritised according to risk.</p>	<p>ensure a consistent approach across all Council social housing.</p>	<p>colleagues from Strategic Housing and Housing Services in December 2023 to discuss the draft policy, including what will need to be implemented to sit alongside the policy. It was agreed that a proactive approach is needed to reduce the number of incidents of refusals / no access.</p> <p>In relation to repairs and maintenance, any injunctions sought are to be based on risk. To facilitate this assessment Housing Services will produce a document which sets out common requests for service and how this will be assessed to determine whether or not the injunction process would be required should refusal / no access be granted.</p> <p>In relation to Improvements it was agreed to trial the new approach on an internal project. Given the project has not yet been confirmed and the policy and procedure documents are not yet finalised or approved we consider this to be partially implemented.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Executive Member: Councillor White</p> <p>Status: Three months overdue</p> <p>Action: To continue to request updates from the service and evaluate progress.</p>
Review of Fire Risk Assessment Processes (Residential Properties)	31 December 2023	<p>Increased priority to address FRA actions is needed and should be driven by senior managers across the relevant directorates to allow for FRA actions to be given the priority needed. This should be supported by strong</p>	<p>The recommendation is accepted.</p> <p>In line with the development of the Fire Safety Strategy, roles and responsibilities will be identified. The governance in</p>	<p>Whilst we understand from the service work has commenced to reduce the exposure to risk we will update and report on progress as part of formal follow up review work planned for February/March 2024.</p>	<p>Director: Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p>Executive Member: Councillor White</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>communications to provide clarity over the risks and priorities assigned to this work.</p> <p>To facilitate this, sufficient resources and capacity needs within the various teams should be put in place/made available to allow this work to be progressed and delivered as intended.</p> <p>Work should be undertaken to define the roles, responsibilities and expectations of the various teams involved in the completion of FRA actions. Documented process flow charts would also help to map the process from start to finish and teams are able to more clearly see how they sit within the process. This will be particularly helpful given the forthcoming staffing changes through recruitment and others leaving the organisation.</p> <p>Consideration could be given to the adoption of a more operational group sitting below the FRA group to complete actions and the establishment of FRA champions within teams/services to act as a central communication point for updates, issues etc.</p> <p>Appropriate arrangements for oversight, assurance and any subsequent escalation is needed to ensure actions are progressing as planned.</p>	<p>respect of management and monitoring of actions will be revised including attendance of senior offices in the FRA group and development of an operational group. The priority needs to be</p> <p>Data management and reporting and tracking will be revised and developed to support the effective monitoring and management and reporting of progress through the FRA Group and into the relevant Boards.</p>	<p>Internal Audit opinion: Not implemented</p>	<p>Status: Due</p> <p>Action: To complete follow up review in February/March to assess progress.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Review of Fire Risk Assessment Processes (Residential Properties)	31 December 2023	<p>Contingency arrangements to support the completion of core parts of the process should be established in the event of the absence of key officers integral to the timely completion of FRA actions.</p> <p>Assessment, interpretation and allocation of FRA actions should be undertaken by officers with the technical knowledge to interpret FRA actions. This should consider the need for any additional survey/design work in order to prepare for it being passed to the relevant team for completion to ensure this is allocated to the most appropriate team for actioning with an appropriate level of detail.</p>	<p>The recommendation is accepted.</p> <p>A full review of resource requirements across Building and Fire Safety to be undertaken to include technical expertise within the team and across the Council in relation to the strategic and operational management of building and fire safety.</p>	<p>Whilst we understand from the service work has commenced to reduce the exposure to risk we will update and report on progress as part of formal follow up review work planned for February/March 2024.</p> <p>Internal Audit opinion: Not implemented</p>	<p>Director: Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p>Executive Member: Councillor White</p> <p>Status: Due</p> <p>Action: To complete follow up review in February/March to assess progress.</p>
Review of Fire Risk Assessment Processes (Residential Properties)	31 December 2023	<p>Options should be explored for gaining additional value from the current contract with Savills. There should be an assigned contract manager to undertake this role which should incorporate regular, robust contract monitoring and management activity supported by appropriate records.</p> <p>This should also consider the quality of information provided resulting from FRAs including costings assigned to actions and mechanisms established to enable the challenge of actions, request for clarity/further detail, options for exploring but not necessarily acting on actions raised to facilitate a more efficient response</p>	<p>The recommendation is accepted.</p> <p>The resource review will consider how and where resources should be allocated to develop the FRA process and provide scrutiny over the requirements across Building and Fire Safety with technical expertise within the team and across the Council. This will tie in to working to a new BAU process for managing FRAs from January 2024.</p>	<p>Whilst we understand from the service work has commenced to reduce the exposure to risk we will update and report on progress as part of formal follow up review work planned for February/March 2024.</p> <p>Internal Audit opinion: Not implemented</p>	<p>Director: Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p>Executive Member: Councillor White</p> <p>Status: Due</p> <p>Action: To complete follow up review in February/March to assess progress.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>to addressing actions raised.</p> <p>To support this, processes should be established to facilitate the validation, interpretation and challenge of actions raised by the contractor. This could lead to a reduction in the number of actions, reclassification of some to advisory rather than required and reduce the number of actions which require further detail in order to progress.</p> <p>Options to support the resolution of more actions at the time of the fire risk assessment should be explored where on site Caretakers or Building Managers can immediately resolve the risk identified preventing the need for further action at a later date.</p>			
Review of Fire Risk Assessment Processes (Residential Properties)	31 December 2023	<p>Work should progress at pace to ensure the organisational structure is added to Risk Hub and the Council's costings are incorporated and replace the costings currently assigned which are not correct.</p> <p>Reconciliation work should continue to highlight and remove any duplicate actions on Risk hub.</p> <p>All current unassigned actions should be allocated to the correct teams for completion.</p>	<p>The recommendation is accepted.</p> <p>Work has commenced on this and with the recruitment of an interim Fire Safety Manager will be progressed in conjunction with input from the Capital Delivery team and Investment and Strategic Asset Management and Strategic Housing.</p>	<p>Whilst we understand from the service work has commenced to reduce the exposure to risk we will update and report on progress as part of formal follow up review work planned for February/March 2024.</p> <p>Internal Audit opinion: Not implemented</p>	<p>Director: Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p>Executive Member: Councillor White</p> <p>Status: Due</p> <p>Action: To complete follow up review in February/March to assess progress.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Review of Fire Risk Assessment Processes (Residential Properties)	31 December 2023	<p>A framework for determining and providing assurance through management information and reporting and quality assurance processes should be developed for FRA actions.</p> <p>The format and data currently being reported on should be reviewed to ensure this includes the most pertinent detail to allow for prioritised focus of action. This should also aim to report data in such a way to allow for comparison of position with other periods/areas and to enable identification of highest risk actions/areas/non performance. Better use could be made of the reporting functionality within Risk Hub to reduce the manual work involved in the reporting of data.</p> <p>Quality assurance mechanisms should be developed ahead of reaching business as usual and should be supported by an appropriate level of resource to ensure this is sustainable. This could consist of sample checking, deep dives into specific areas, buildings or teams.</p>	The recommendation is accepted and reports will continue to be developed via Risk Hub to present key data in a more frequent and accessible manner via the Council's Housing Board and operational working groups.	<p>Whilst we understand from the service work has commenced to reduce the exposure to risk we will update and report on progress as part of formal follow up review work planned for February/March 2024.</p> <p>Internal Audit opinion: Not implemented</p>	<p>Director: Neil Fairlamb, Strategic Director: Neighbourhoods</p> <p>Executive Member: Councillor White</p> <p>Status: Due</p> <p>Action: To complete follow up review in February/March to assess progress.</p>
Council Tax – Discounts and Exemptions	30 November 2023	The Head of Corporate Revenues should develop a timetable for regular review of all live discounts and exemptions, to confirm that eligibility is continuing. As part of this a risk assessment should be undertaken to determine the most appropriate frequency and method	Agreed. We have just gone out to tender for, amongst other things, third parties to undertake reviews of major discounts and exemptions. Once this tender is awarded, we will agree a timetable of reviews with the successful company based on potential	<p>A decision on appointment of a third party to deliver this work was expected in January 2024.</p> <p>It was noted that a better outcome will be achieved by involving the appointed company in developing the timetable for their work.</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: Two months overdue</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>of review for each category of discount or exemption awarded.</p> <p>Delivery of work in line with the agreed timetable should be monitored to identify any resourcing challenges at the earliest opportunity.</p>	<p>risk that the review/exemption is no longer applicable, the numbers of different types of reviews/exemptions and the financial exposure faced by the Council if they are wrongly in place.</p>	<p>Internal Audit opinion: Not implemented</p>	<p>Action:</p>
Imprest Accounts	31 December 2023	<p>Imprest account holders should rectify the specific imbalances outlined in our audit field work at the earliest opportunity. We note that steps previously taken by account holders have not resulted in the accounts returning to a balanced position, and therefore anticipate that support will be required from departmental finance teams in order to achieve a balanced position.</p>	<p>Departmental finance teams will work with imprest account holders to try and reconcile any imbalances. If the account cannot be reconciled, a brief report will be drafted setting out what checks and balances have been undertaken, whether there are any anomalies or transactions that need to be highlighted, and the required adjustments to bring the accounts back into balance. This will be reviewed by the Deputy City Treasurer and the departmental management team. The adjustments required will be made as part of the Period 9 budget monitoring exercise.</p>	<p>Managers informed us that full reconciliations had been carried out in relation to the imbalances identified during our audit.</p> <p>For one account, a subsequent issue had occurred but this had been identified, isolated and was in the process of being resolved.</p> <p>For the other account, the reconciliation process had resolved some anomalies but a level of imbalance remained. Managers were drafting a report outlining the steps undertaken and the remaining required adjustments to achieve a balanced position.</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: One month overdue</p> <p>Action: Continue to monitor</p>
Imprest Accounts	31 December 2023	<p>An agreed frequency of reconciliation should be confirmed with all account holders. This should be monthly at a minimum but could be more frequent as required. An escalation process and pathway should also be agreed if reconciliations are not completed.</p>	<p>As part of the account approval process, the imprest request form will require regularity of reconciliations to be agreed. The updated guidance will clearly set out that reconciliations are to be carried out at least on a monthly basis, although it may be more frequent based on value and</p>	<p>Imprest account holders have all been asked to complete the imprest request business case form, which includes details of the expected frequency of reconciliation. These are expected to be returned by the end of January.</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Akbar</p> <p>Status: One month overdue</p> <p>Action: Continue to monitor</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>Where accounts are identified that do not financially require a regular reconciliation, the business case for these should be reconsidered to confirm whether the account continues to be required.</p>	<p>volume of transactions. The reconciliations will need to be signed off and approved by a line manager, with a copy being retained within the service and another copy being forwarded to the departmental finance team.</p> <p>The regular reconciliations will be included as part of the current financial management quality assurance sessions with the Deputy City Treasurer. This will involve at least setting out number of imprests, overall balances and confirmation that the monthly reconciliation has been undertaken as part of the month end process.</p> <p>The final accounts closedown process will be amended to include a specific action setting out how all imprest accounts must be reconciled as at 31 March – with the reconciliation being signed off and submitted to the Core Finance team as part of the year end working papers.</p> <p>The guidance will clearly set out that if reconciliations are not being carried out, use of the imprest account will be suspended.</p>	<p>An approach to monitoring and escalation of non-compliance is being drafted.</p> <p>Internal Audit opinion: Partially implemented</p>	
Building Control	30 November 2023	<p>The Information, Delivery and Support Team Manager should ensure that the specification for the new case management system addresses current system deficiencies, namely that there are proposals for: -Inbuilt notifications</p>	<p>This is agreed, however, this will rely on the supplier on the new system</p>	<p>We have met with the responsible officer and whilst we understand that work has commenced to reduce the exposure to risk, there have been challenges within the service affecting progress. We will update and report on progress as</p>	<p>Director: Rebecca Heron Strategic Director: Growth and Development</p> <p>Executive Member: Councillor White</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		for actions due / overdue, -Inbuilt standard documentation / templates (where applicable), - Real time document uploads, - Links with other relevant casework / applications, -Management information and reporting.		part of formal follow up review work planned for April/May 2024. Internal Audit opinion: Not implemented	Status: One month overdue Action: To complete follow up review in March/April to assess progress.
Building Control	30 November 2023	The Development Compliance Manager should ensure that a framework is in place to assure that all new complaints or referrals of unauthorised work are managed in accordance with the defined procedures as per those complaints received under the planning regime. Action should be taken to address any areas of non compliance.	This is underway	We have met with the responsible officer and whilst we understand that work has commenced to reduce the exposure to risk, there have been challenges within the service affecting progress. We will update and report on progress as part of formal follow up review work planned for April/May 2024. Internal Audit opinion: Not implemented	Director: Rebecca Heron Strategic Director: Growth and Development Executive Member: Councillor White Status: One month overdue Action: To complete follow up review in March/April to assess progress.

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