



Audit Committee

Date: Tuesday, 13 October 2020

Time: 11.00 am – **Please note change of start time**

Venue: Virtual meeting - https://manchester.public-i.tv/core/portal/webcast_interactive/485322

Everyone is welcome to attend this committee meeting.

**The Local Authorities and Police and Crime Panels (Coronavirus)
(Flexibility of Local Authority and Police and Crime Panel Meetings)
(England and Wales) Regulations 2020.**

Under the provisions of these regulations the location where a meeting is held can include reference to more than one place including electronic, digital or virtual locations such as Internet locations, web addresses or conference call telephone numbers.

To attend this meeting it can be watched live as a webcast. The recording of the webcast will also be available for viewing after the meeting has ended.

Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Clay, Lanchbury, Russell, Stanton and Watson

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

Agenda

- 1. Urgent Business**
To consider any items which the Chair has agreed to have submitted as urgent.
- 2. Appeals**
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.
- 3. Interests**
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.
- 4. Minutes** 5 - 12
To approve as a correct record the minutes of the meeting held on 15 September 2020.
- 5. Risk Management Strategy and Corporate Risk Register: Audit and Risk - to follow**
- 6. External Auditor - Update report** 13 - 22
The report of the Council's external auditor (Mazars) is enclosed.
- 7. Exclusion of Public**
The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of these items. At the time this agenda is published no representations have been that this part of the meeting should be open to the public.
- 8. Audit Quality Review - Inspection Report** 23 - 26
Report of the Council's external auditor.

Information about the Committee

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website www.manchester.gov.uk.

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
Level 3, Town Hall Extension,
Albert Square,
Manchester, M60 2LA

Further Information

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

Andrew Woods
Tel: 0161 234 3011
Email: andrew.woods@manchester.gov.uk

This agenda was issued on **Monday, 5 October 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

Audit Committee

Minutes of the meeting held on 15 September 2020

This Audit Committee meeting was conducted via Zoom, in accordance with the provisions of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

Councillor Ahmed Ali - In the Chair
Councillors Clay, Lanchbury, Russell, Stanton and Watson
Independent Co-opted member: Dr S Downs
Independent Co-opted member: Dr D Barker,

Also Present:

Karen Murray, Mazars (External Auditor)

AC/20/18 Minutes

Decision

To approve the minutes of the meeting held on 28 July 2020 as a correct record.

AC/20/19 Internal Audit Assurance Report - Quarter 2

The Committee considered the report of the Deputy Chief Executive and City Treasurer / Head of Internal Audit and Risk Management. The report provided the Committee with a summary of the [work](#) of the Internal Audit Section since April 2020. The publication of quarter four 2019/20 executive summaries was delayed due to Covid19 and cancellation of Audit Committee meetings in April and June. The report included the executive summaries and assurance opinions from completed audits finalised between February 2020 and July 2020.

The Chair invited questions from the Committee.

A member referred to audits that had taken place within schools where it appeared that similar issues had been identified relating to financial procedures and policy. Officers were asked if guidance could be provided to schools and school governors to address the issues raised to improve school's financial governance arrangements. The comment was also made that in view of the audits that had raised issues within areas of Council services there are also a number of the audits that had taken place on Council services which had produced many examples of good practice.

It was reported that following the completion of the audits in schools, a consolidated themed report is produced for the Director of One Education. A common themed report is also circulated to all of the schools in Manchester highlighting common

themes and lessons learned. This process could be explored further with One Education to consider other routes to pass on guidance and support on financial governance for schools.

A member asked officers why an updated position of the Audit Plan Status had not been included in the report in view of significant problems with audit completions. Officers were also asked to explain the proposed arrangements to resource the PPE hub and business grants beyond quarter two and if any resources had been provided from Central Government to fund this.

The Committee was informed that the report had been prepared in respect of audits taking place up to the end of July 2020, although some audits may have not been completed at that point. Some additional audit reports would be submitted to a later committee. With reference to the PPE hub, it was reported that three full-time audit staff posts had been provided to deal with PPE, this had been reduced to a half full-time post until the end of March 2021, at the latest. The staff member concerned had been kept in the half post to ensure a level of continuity is maintained and it was anticipated that the other half of the post would be filled. A more structured process was now in place to deal with PPE with additional staff resources to be provided for the PPE hub. The meeting was informed that resources had been brought in from across the council to help address the ongoing incident management and prepare for business as usual and recovery planning. It was important to properly resource such areas as business rates grants with audit staff to ensure guidelines are followed as well as spot instances of fraud. It was reported that £225,000 was received from the Government as part of a New Burdens payment.

A member referred to issues relating to the audit of schools and the issues arising from those in particular financial management guidance for schools and what the position for this is and the school's development plan. Officers were asked what follow up action had been taken regarding hospitality and other issues.

It was reported that schools are provided with guidance and the findings from audits are made into formal recommendations to the schools and followed up by the auditors. School development planning is an area where the recommendation is that planning takes place three years ahead. Follow up actions on audits had been delayed due to Covid and closure of schools. Other follow up checks would be completed and reported. The issue of hospitality raised in an audit it was reported this would be checked and reported to the Committee.

A member referred to concerns raised on the use and performance of Liquid Logic and the bedding in of the system. Officers were also asked to comment on the point raised within the report that suggested a 'cultural norm' in Adult Services by social workers' approach to recording information and the concerns this raises for adult safeguarding. Members were concerned on the limited assurances given and the lack of progress being made by the service.

It was reported the audits had identified issues within adult services and children's services such as changes in business practice following the introduction of Liquid Logic. Work is ongoing to address those issues concerning Liquid Logic involving the City Treasurer, Internal Audit and Children's Services and Adult Services DMTs. The

comment made on a 'cultural norm' had been identified as an historic challenge to install business change within the service and achieve compliance through training of social work staff. Further checks would be made to ensure compliance is being achieved. With reference to concerns raised on recording safeguarding issues it was reported that the changes made to case management on Liquid Logic that children's services is a few weeks away from business of usual. Adult Services would take longer in view of the more complex nature of the care finance packages. The Director of Adult Services would be contacted on the issues raised and reported back to the Committee.

A member referred to Mental Health - Adults Services and concerns on lack of management input on decisions on mental health case work and the lack of management overview on those decisions and delays on referrals made. Reference was also made to the use of the Paris System and how it operated/ compared to Liquid Logic. The Committee also identified other issues to consider including processing between the Liquid Logic and Paris systems, management oversight on processes on recording and decision making on safeguarding recording and logging and the efficiency of communication between the two systems.

It was reported that the Paris system was used by the Mental Health Trust and not the Council. Some of the actions to be taken by the Mental Health Trust were still outstanding. It was noted that assurance is needed on how things are processed through Liquid Logic and it was expected that Liquid Logic would provide a greater level of reporting. The points made were noted and would be discussed with the Audit Team.

A member referred to the Disability Supported Accommodation Service and the limited assurance the audit had produced and drew attention to the likely changes in the support needs of the users of the service over time. Attention was also drawn to the management of the budget which did not meet the demands of the service.

Officers reported that the service had received an audit in view of concerns over budget overspends and to understand the service activity to be able to set a more accurate budget and introduce measures to better control this. It was noted that the use of agency staff was not the best use of resources and officers were now building on the recommendations of the audit.

Decision

The Committee noted the report and comments made.

(Councillor Ahmed Ali declared a personal interest for the reason that he is a Council appointed representative to: Adoption Counts.)

AC/20/20 Outstanding Audit Recommendations – ICT Licensing

The Committee considered the report of the of the Director of ICT which provided an update on the actions taken to address issues highlighted previously to reduce risk, barriers to full implementation and management rationale for accepting the current,

reduced level of risk. The Director addressed the Committee and explained that the audit had taken place in 2018 to look at licensing in place across the Councils IT systems and the work that has taken place since the completion of the audit.

The Chair invited questions from the Committee.

A member questioned the audit of licences and asked if this work had reduced the overall cost to the Council. Also, would officers be looking to save on the cost of licences going forward.

It was reported that figures were not available on the cost implications to the council, although it was now possible to check on the status of licences and if one was required. The cost of Microsoft rental would be based on usage and would be assessed on whether it is the most efficient model based on projections.

A member asked how centralised decision making is undertaken in respect software asset management for smaller specialised systems used by the Council.

The Committee was informed that the management of the decision making process is combined between both centrally and within the departments concerned. ICT work with departments where checks are made on the appropriateness of software and to ensure that similar software is not already available within the organisation.

Decision

The Committee noted the report and the actions taken in response to the Internal Audit of software licensing and the decision of management to accept a much reduced level of residual risk.

AC/20/21 Outstanding Audit Recommendations - Quarter 2

The Committee considered the report of the Deputy Chief Executive and City Treasurer / Head of Audit and Risk Management report which provided a summary of the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations. The Head of Audit and Risk Management introduced the report. The Committee's attention was brought to Section 3.5 of the report set out those recommendations outstanding overdue by nine months:

- Adults: Transition to Adult Services (3 of which 2 partially implemented)
- Adults: Disability Supported Accommodation Services: Quality Assurance Framework (2 partially implemented)
- Adults: Management Oversight and Supervision (1)
- Adults: Mental Health Casework Compliance (6 of which 3 partially implemented)
- Core: ICT Software Licensing (3 of which 2 partially implemented)
- Core: Purchase Cards (1)
- Childrens Services: Assessed and Supported Year in Employment (2 partially implemented)

- Children Services: Management Oversight and Supervision (1)

The Chair invited questions from the Committee.

A member referred to outstanding recommendations and confirmations from departments and the follow up work undertaken to address this and was informed that those outstanding recommendations would be addressed from meeting with management of the services concerned and reported to a future meeting.

A member referred to outstanding recommendations in respect of Adult Services and the importance of concentrating on addressing those areas of outstanding concern.

The City Treasurer welcomed the comments of the Committee in respect of Adult Services and referred to the work ongoing and undertook to consider and discuss with the Chair and the Head of Audit and Risk Management on the best way of approaching the areas of concern raised.

Decision

The Committee noted the current process and position in respect of high priority Internal Audit recommendations.

AC/20/22 Risk Management Strategy and Risk Register

The Committee received a presentation from the Deputy Chief Executive and City Treasurer / Head of Audit and Risk Management providing an update and background and progress on the Corporate Risk Register. The Committee was informed that a report on the Corporate Risk Register could not be submitted for the reason that report had not been presented to the Senior Management Team.

The Committee was informed that the standard process for the Corporate Risk Register (CRR) was suspended during Covid19 crisis in favour of dynamic incident management approach with high frequency of risk and issue reporting. A formal review process has restarted and this is due to confirm the Corporate Risk Register in November 2020.

The areas of risk that have been impacted by Covid19 are as follows:

- Organisational capacity, resilience and business continuity
- Finance and Funding: 2020/21, 2021+ and capital programme
- Health and Care integration and adult social care improvement
- Responding to climate change
- ICT programmes, resilience and security
- Information risk management and data security
- Health and safety of staff and residents
- Adaptation to new ways of working
- Affordable housing and Northwards
- Post EU Exit and supply chain resilience
- Disruption to education and learning
- Safeguarding vulnerable adults and children

- Equality and inclusion

A Corporate Risk Register report would be submitted to the October or November meeting of the Committee.

A member commented that it was important to have a Risk Register presented to the Committee before February 2021 in view of the length of time since the last report (March 2019).

Officers were asked if more could be done to include the agile, real time reporting approach that has been used since the impact of Covid. The Committee was informed that it was anticipated that this would be included because it is responsive and is easy to produce.

A member asked officers if the March 2020 Risk Register could be circulated to members of the Committee in advance of the updated Risk Register report.

Decision

To note the presentation and the comments made.

AC/20/23 Annual Work Programme - draft

The Members considered the Committee's work programme.

Decisions

1. To note the Annual Work Programme.
2. To agree that a meeting of the Committee will take place on 13 October 2020.

AC/20/24 Exclusion of Public

Decision

To exclude the public during consideration of the following item which involved consideration of exempt information relating to the financial or business affairs of particular persons, and public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC/20/25 Annual Counter Fraud Report

The Committee considered the report of the Deputy Chief Executive and City Treasurer / Head of Internal Audit and Risk Management which provided a summary of the anti-fraud arrangements and investigation work undertaken during 2019/20, with particular focus on the work delivered by Internal Audit.

The Committee agreed that it was satisfied with the assurance provided by the actions outlined within the report submitted.

.

Decisions

To note the report.

This page is intentionally left blank

Audit Progress Report

Manchester City Council

October 2020





CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Manchester City Council. It has been prepared for the sole use of the Audit Committee. 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.

1. AUDIT PROGRESS

Purpose of this report

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

Audit progress

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

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

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

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office			
1	Whole of Government Accounts 2018-19	Published version of WGA for the previous year	5
2	Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19	Practical guide for Audit Committees	5
CIPFA			
3	Code of Practice on Local Authority Accounting in the United Kingdom 2020/21	Code of Practice for the Financial Statements 2020/21	6
4	Delivering Outcomes in the Public Sector	Practical guide to assist public sector organisations	6
5	Combating Financial Crime: Practical Advice for the Public Sector	Guide for public authorities on the latest money laundering regulations	6
MHCLG			
6	The Redmond Review	Report from Sir Tony Redmond's review	7
Other			
7	Nottingham City Council Public Interest Report	Report issued by the auditors of the Council	8

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

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

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

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

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

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS – CIPFA

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

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

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

4. Delivering Outcomes in the Public Sector, August 2020

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

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

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

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

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

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS – MHCLG

6. Redmond Review, September 2020

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

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

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

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

Amongst the recommendations arising from the Review are:

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

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

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

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

2. NATIONAL PUBLICATIONS – OTHER

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

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

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

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

CONTACT

Partner: Karen Murray

Phone: 0161 238 9248

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Senior Manager: Alastair Newall

Phone: 0161 238 9243

Mobile: 07909 986776

Email: alastair.newall@mazars.co.uk

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank