

## **Audit Committee**

### **Minutes of the meeting held on Tuesday, 19 January 2021**

**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 and Watson

Independent Co-opted members: Dr Barker and Dr S Downs

**Also present:**

Karen Murray (Mazars) - External Auditor

Alastair Newall (Mazars) - External Auditor

#### **AC/20/1. Minutes**

##### **Decision**

To approve the minutes of the meeting held on 26 November 2020 as a correct record.

#### **AC/20/2. External Audit Update Report - January 2021**

The Committee considered the report of Council's external auditors (Mazars) that provided the Committee with an update on audit work carried out. The Committee was reminded that the external audit of the Council's 2019/20 financial statements and value for money conclusion in November 2020 and the signing the audit report on 30 November 2020. An updated Audit Completion Report with the completed audit findings had been circulated to all members of the Audit Committee. The external auditors are currently waiting to receive the Council's Whole of Government Accounts (WGA) submission. This work will be carried out to instructions issued by the National Audit Office (NAO) and a report will be submitted to the NAO on the conclusions. Any significant findings from this work will be reported to the Audit Committee in a subsequent Audit Update Report.

The process of audit planning for the 2020/21 audit will start in January/February 2021 and the Audit Strategy Memorandum will be submitted at the March meeting of the Committee.

Reference was made to the National Audit Office updated Code of Audit Practice that has now been applied from 2020/21. The new Code changes the work that auditors will be required to do, and the related reporting, on Councils arrangements to deliver value for money in their use of resources. The changes to the reporting requirements will mean that from 2020/21 a value for money conclusion will not be included within

the Financial Statements Audit Report. A commentary on the Council's arrangements to deliver value for money will now be included in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in Council arrangements they should report recommendations to the Council promptly throughout the year.

The Chair invited questions from members of the Committee.

A member referred to point 8 of the report and requested further explanation of the five themes outlined in the MHCLG's response to Sir Tony Redmond's independent review.

It was reported that the themes had been produced in order to provide more central co-ordination by bringing together the various strands of government. The Committee was informed that it would be unlikely that a single regulator would be established and new more simplified process would be introduced to help local authority accounts to be more accessible. Other recommendations included the importance of appointing independent members to audit committees, member training and the processes used by auditors and the meeting of the responsible council officers at least once a year.

A member referred to the Value for Money opinion provided by the external auditor and asked what the arrangements will now require.

It was reported that the new arrangements would require greater engagement with the Council on the arrangements to deliver value for money rather than to present an opinion. A longer narrative report will be submitted to provide a balanced assessment of the arrangements and processes to highlight changes, to promote good practice or actions needed for improvement.

The City Treasurer reported that the impact of Covid19 would be addressed in the opinion provided by the Council's Internal Audit. The recommendations of the Redmond report were largely welcomed and work on those had already started in respect budget preparations, value for money opinion and the Council's financial resilience.

A member referred to the issues reported on by the external auditor including the valuation of property, pensions and other group audits and asked whether this is a common theme with other local authority audit work. Reference was also made to demise of the Audit Commission and the use of private audit companies providing services for the public sector and the challenge for companies to access this very specialist market. Reference was also made the deadline for annual accounts and if this may be amended and if so what would the likely outcome be to producing final accounts on time.

It was reported that this work was common to local authorities and auditors were addressing the work to find means to make improvements in those organisations. The public sector is reliant on the use of private external audit firms, however the PSA did provide a level of independence and controlled the appointment of auditors through a tendering process. The tendering process had drove down fees which was

helpful for local authorities but in doing so may have made the market for that work less attractive to private companies. The deadline for the completion of final accounts is something the external auditor works toward and the pressure to complete local authority/health service audits is considerable due to capacity issues. There were concerns that the pressure for external auditors to meet current deadlines is unreasonable and the issue of extending the deadline for completing audits had been raised. The Committee was advised that accounts will not be signed off until the external auditor is satisfied that the audit has been properly completed but work would be ongoing to ensure that deadlines are achieved.

### **Decision**

The report was noted.

### **AC/20/3. Internal Audit Assurance Report Quarter 3**

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Internal Audit and Risk Management that provided an update of progress on the agreed audit plan 2020/21, additional work assigned to the audit service and copies of the audit opinions issued in the period August to December 2020. The Committee was advised that audit work had been impacted during the year due to additional work taken on by Internal Audit. This included the provision of key support for the covid19 grant schemes to provide ongoing support to local businesses and the winter support for children and vulnerable families. The availability of resources has also affected the service and a 'reach out' had been undertaken to provide three additional posts and the subsequent recruitment to permanent posts following completion of a service and savings review. Members were informed that even with additional resources it will remain a challenge to complete all planned audit work by year end as a consequence of client availability due to the continued focus on the covid response and recovery which is acute across all areas of the Council and particularly within front line services in adults, health and care, children's services and schools.

The Chair invited members of the Committee to ask questions.

Members referred to work being done on fraud checks on business grants and the impact the involvement of audit staff in this work has had on the audit team for the reason that staff are running the checks rather than providing a consultancy and facilitating role. Also, what arrangements will there be if the grants system is extended past financial year end as it is likely that the pandemic would continue. Reference was made to resources available to the Audit team and the involvement of Salford Council to undertake audit work on the Council's ICT function in view of potential deletion of vacancies from the team structure. The Head of Risk and Internal Audit was asked to comment on the comparison of work undertaken in the previous year to this year and was it mandatory to provide an opinion if a sufficient amount of work had not been completed.

It was reported that there is not a mandatory requirement to provide an audit opinion, however there is a requirement under the current procedures to provide an opinion to those charged with responsibility for governance such as the Audit Committee. The

Committee was advised that heads of audit across the country were using outcomes from planned audits and other sources of assurance to inform the production of an opinion. Head of Internal Audit stated that other forms of assurance will include his own role and engagement in various governance and recovery groups. In providing the opinion it was important for the Audit Committee and stakeholders that there is clarity on the basis in which the opinion is taken. The CIPFA guidance would be used to inform the opinion on potential limitations and/or qualifications required and referenced. In noting that the amount of audit work had reduced it was reported that audit staff would still be obtaining assurances from planned audits and other work such as emergency grants and business recovery work undertaken during the year. The issue of using another authority to examine the Council's ICT work is a routine arrangement that is done as a matter of course to involve an outside authority to undertake a review. This work was not as a result of the availability of resources. The process of appointing staff from the outreach process would begin next week to help address the current resource shortfall within the Audit Team for the final quarter and into the following year. It was reported that due to the current working arrangements, there may be challenges in working with clients during audits in Adults and Children's Services and a degree of flexibility would be required to work with those clients to obtain assurances. The new improvement plan would help to obtain those assurances following discussions with the areas of services concerned. In response to the question on fraud checks it was reported that from the checks being undertaken, the majority of the work on business grants is system and process based and it was considered the work is valuable in gaining assurance for that area. The resource allocated to grant work will not be at the same level as it was previously because of confidence in the systems in place and the introduction of a post payment assurance plan and the provision of regular updates on their delivery. Further discussions will take place on the investigation of potential largescale fraud through the business grant scheme and this may impact on the fraud team's resources. Discussions would be held with the Committee on the way forward to priorities work. It was reported that in view of the current circumstances the Council faces, it will be necessary to decide on priorities for audit work to be undertaken and identifying other sources of information.

Members referred to the pressures on the Audit Team in particular, the additional responsibilities as a result of Covid19 and the importance of prioritising work to ensure that the audit of Children's and Adults Services and Mental Health Services were maintained. Officers were asked for an update on the PSN and what strategy is in place to prioritise what audit work will take place and what the issues are in accessing clients and if there were other means in obtaining information. Members also asked what the Committee could do to support the service to ensure work is completed in view that audit work is still a necessary and important function within the Council.

The City Treasurer responded and advised the Committee that the peak of the pandemic is now being faced by health and social care services and all non-essential work needed to stop to allow resources to be focused on maintaining hospital capacity and discharges. This relates, in particular to the point made on the capacity of clients to take part in audits of their service. In addition, it is necessary to balance core business as usual work with the new responsibilities associated with COVID-19. Internal Audit expertise has been required for the Business Rates grants assurance

to ensure fraudulent claims are not paid and to satisfy government assurance requirements. The workload associated with the grants programme for example has been shared across Revenues and Benefits, the Work and Skills Team, Finance and Internal Audit. With regard to Financial Management the monthly returns provided to MHCLG have been time consuming but an important part of the evidence used to secure Government funding for the impact of COVID-19. These examples demonstrate that there is a very fine line on the decisions taken on how to prioritise capacity. The pandemic has provided a good demonstration of the strengths within the Council services. Reference was also made the administering of the school voucher scheme for school children in Manchester and the benefit and level of assurance this has provided.

The Committee was informed that issue of capacity also related to auditor's ability to physically access documents to complete a sign off and the priorities of officers on more pressing issues such as vaccination work and testing. Internal Audit is not the only source of assurance and forms part of the annual opinion. Officers are working to obtain information through other sources within the organisation.

It was confirmed that discussions will take place on the priorities to focus on areas such as Mental Health Casework and Homelessness due to the level of urgency in progressing this work.

The Committee was advised that to best support officers it should continue to discharge its function in obtaining assurances and ensuring that audit work is completed. It was reported that senior officers are aware of the need to complete audit work to maintain and improve the work of the Council services and that the findings will be submitted to the Audit Committee.

A member referred to outstanding audit work and asked if it was possible to collaborate with other officer colleagues to work smart to complete the work and if this was good practice.

It was reported that as an example of collaborative working, work in Adult Services would be monitored by audit staff and would involve sitting in on meetings rather than just receiving copies of minutes and be at a higher level to take part in checking and testing to gain assurance.

A member referred to changes within the staffing structure and what processes are in place to ensure that the level of senior management support for the City Treasurer will be in place.

It was reported that a suitably qualified member of staff is currently in place for the Deputy Treasurer position on an interim basis and interviews would be taking place for the permanent replacement in the following week. Whilst there will be reduced capacity within Corporate Services, work will continue to ensure the best use of existing resources. This will enable the City Treasurer to maintain an overview of the work of the department.

## **Decision**

The Committee noted the report and the comments received.

### **AC/20/4. Outstanding Audit Recommendations Quarter 3**

Consideration was given to a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management that provided a summary the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

The Chair invited members of the Committee to ask questions.

A member referred to the Disability Supported Accommodation Services: Quality Assurance Framework and expressed concern that the recommendation from February 2018, for a register of all details including residents; staff and properties to be sent to Performance, Research and Intelligence team was yet to be implemented and the no further action was now required. The point was made that it is important that detailed records are produced and maintained to better protect vulnerable individuals the Council has responsibility for.

It was reported that the recommendation had been implemented from an audit perspective that quality assurance checks were in place, however a more accurate update on the keeping of accurate registers within properties would be provided to members of the Committee.

### **Decisions**

1. The Committee noted the report.
2. To request a report be submitted to provide a review of resources within Internal Audit.