

Audit Committee

Minutes of the meeting held on Tuesday, 16 March 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 (Chair) – in the Chair

Councillors: Clay, Lanchbury, Russell and Watson

Independent Co-opted members: Barker and Downs

AC/20/5. Minutes

Decision

To approve the minutes of the meeting held on 19 January 2021 as a correct record.

AC/20/6. Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Committee considered the report of the Deputy Chief Executive and City Treasurer. The report provided an explanation of the Council's accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2020/21 annual accounts. It also contains details of the new International Financial Reporting Standard (IFRS) 16 on leasing that following deferral is now to be fully introduced by Local Government on 1 April 2022.

Decisions

1. The Committee approved the accounting concepts and policies that will be used in completing the 2020/21 annual accounts.
2. The Committee noted the critical accounting judgements made and key sources of estimation uncertainty.

AC/20/7. External Audit Update Report

The Committee considered the report of the Council's external auditors (Mazars) that provided an update on progress made in delivering its responsibilities.

The Council's external auditor introduced the report and made reference to the receipt of the Council's 2019/20 Whole of Government Accounts (WGA) submission, which was anticipated during the week and would enable the completion of the final element of our 2019/20 audit. The Committee was informed that the national WGA

submission process had changed for 2019/20 and there have been significant difficulties with the HM Treasury system which have caused challenges and delays.

The Committee was informed that planning is underway for the 2021 audit preparations in conjunction with the Council's Accounts Team. The 2020/21 closedown of accounts required the Council's accounts to be available for public inspection by August 2021 and completed by the end of September. The tight deadline may mean there is potential delays in the completion of this work and a timetable will be developed as part of the audit planning work.

The Chair invited questions from members of the Committee.

A member referred to the possible failure to complete the external audit of the Council's financial statement and asked if this would have a detrimental effect on the Council and what reason would be given on the Council website for not completing this requirement by the statutory deadline.

The Committee was informed that it was the intention of the external auditor to complete the audit work to a national quality standard. The notice of non-completion of the audit work would explain the tight time constraints in place and the intention to ensure the completion of the work to a quality standard. The continued impact of remote working and the complexity of the Council's accounts make the external audit work very challenging. There will be no detrimental impact on the Council in not completing the external audit by the statutory deadline.

A member of the Committee asked what difference there would be to the Council's annual accounts in view of the covid19 pandemic and the introduction of business grants work and would there be any comparability with previous years accounts.

The City Treasurer reported that the structural aspects of the accounts would be the same. The Management element of the accounts would include some distortion and will require explanation on the types and levels of spending that is not usual compared to other years. The work involved in the administration of Business Support Grants during the covid19 pandemic would not require detailed auditing but will require explanatory note in the accounts.

The external auditor reported that although there was no requirement for the Business Support Grants to be included in the audit of accounts, there would be a requirement to include the various streams of external funding that had been processed as part of the grants system. This would be a significant job in pulling together information from the different grant sources with a value of £12million (approx).

Decision

The Committee noted the report and the comments received.

AC/20/8. Internal Audit Plan 2021/22

Consideration was given to a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management that sets out areas of proposed audit coverage for the year and the delivery of this plan will be reported to SMT and Audit Committee as part of regular audit reporting. The Committee was informed that the plan focuses on the first six months of the year and an update will be presented to the Audit Committee and the Senior Management Team in September to confirm the areas of planned focus through to March 2022.

The Committee was advised on some of the some of the key area within the 2021/22 plan that includes:

- the ongoing Covid19 recovery and response including the requirements of Government for assurance over programmes funded through grants; financial challenges and related budget savings required to be delivered by the Council;
- organisational change including the further development of health and care partnerships and the 'supercharging of the Manchester Local Care Organisation; as well as the re-integration of the Northwards ALMO into the Council;
- organisational development and improvement programmes including the Future Council programme, Race Review and the Better Outcomes Better Lives programme across adult services; and
- Change activity including major capital projects, ICT investment and workforce development.

The Chair invited members of the Committee ask questions/ comment on the report.

A member referred to the impact of covid on the audit plan and how the priority of audit work has changed as a result. Officers were asked what audit work would have been included under normal circumstances and was there any potential risk identified as a result of particular audit work not being included in the plan. Officers were also asked what will be the focus of the plan in the final six months of the municipal year.

It was reported that the plan would have included core systems work, development, probity work and assurance mapping with a focus on Children's Services and Adult Services.

Members discussed the approach to audit recommendations, in particular those recommendations that remain overdue for 12 months. The suggestion was made that the current period should be increased to 18 months to allow sufficient time for outstanding recommendations to be implemented or where necessary follow up work before being submitted to the Audit Committee. Reference was also made to the integration of Northwards Housing (ALMO) and the importance of ensuring that there is capacity to undertake internal audit of not only the process of integration but also the organisation itself.

The Committee was informed that the proposal to increase the implementation period up to 18 months would be taken on board. With reference to the Northwards Housing it was reported that discussions were ongoing regarding the continuity of the current outsourced provision during the period of transition. The ongoing audit of the organisational aspects such as repairs and maintenance did need to continue. The

second half of the Audit Plan from September would address how the audit function could be best applied.

A member of the Committee made reference to the time provided by the external audit providers for Northwards Housing and the comparison of the time to be allocated by the internal audit function. Officers were asked for this information be included in the audit plan report to be submitted in September including what areas of the ALMO service were to be audited.

A member asked for more detail regarding the assurance title on the areas of focus in the audit plan in view of the size of the areas of service involved.

The Committee was informed that the second half of the year had not been scoped at this point and further breakdown and detail would be identified as the year progressed for inclusion in the Audit Plan report in September.

A member referred to the work identified for the next six months and asked if there is a broader area work on assurance mapping on connecting that work to the risk register.

The Committee was informed that assurance mapping would develop more as the year progresses and this would become more apparent over the next twelve months.

Decision

The Committee approved the Annual Internal Audit Plan for 2021/22, subject to the amendment of the period of time allocated for overdue recommendations be increased from 12 months to 18 months.

AC/20/9. Internal Audit Service Development Update

Consideration was given to the report of the Head of Internal Audit and Risk Management that provided a summary of the key areas of Internal Audit focus over the last twelve months, the planned future strategy for audit within the Council and the areas of planned service change in terms of innovation and structure. These included:

- Internal Audit During 2020/21;
- Internal Audit Strategy;
- Organisational Change and Partnerships;
- Innovation in Approach;
- Structure and Capacity.

The Committee was also informed that the Audit activity and other sources of assurance from 2020/21 will be used to inform the Annual Opinion for consideration by the Committee in April. The report also provided context for the Annual Plan that the Committee have approved to provide a clear direction of the work to be covered over the first six months of the year.

The Chair invited members of the Committee to ask questions.

A member asked the Head of Internal Audit and Risk if this is a direction that would have been taken even without the current circumstances and could those areas identified have been addressed quicker. Also, has the Council's external auditor been involved in the process or had some oversight.

The Committee was informed that the timing of the proposals was opportune in terms of wider changes to look at how the audit service works and evolve the service. The external auditor can be included in the process to provide comment.

A member proposed that officers within Internal Audit be thanked for the positive manner in which they have worked over the past year to benefit the residents of Manchester. In noting, this reference was also made the Organisational Change and Partnerships referred to in the report and the scale of the work involved and resources required to undertake this, in view of the reduced staffing and finances available to the Council.

A member referred to the schedule of meetings of the Committee and the importance of ensuring that the Risk Register report is submitted to the June meeting of the Committee.

The Committee was informed that meetings were programmed for the year and a work programme would be produced to project work and development across the year.

A member referred to the future replacement of the SAP system and how long this could take due to the importance and reliance on the system. Also, was the use of data sets as used by other local authorities, something Manchester will use and develop and is the consolidation of audit resources across GM something that is being considered.

It was reported that the Council will start to use data sets in different ways such as the National Fraud initiative for payments made to reduced duplicate payments. Birmingham City Council used data sets and had been for a number of year and would be consulted on its uses. The Committee was also advised that collaboration work had been discussed with other Councils in the Data Protection Service.

The City Treasurer reported that there are different components within SAP and therefore there is not an absolute end date set for its replacement. In preparation, work is underway as part of a change programme over the next two years, as parts of the system reach end of life. Other considerations include the cost of licences and what will best meet the future needs of the Council.

A member referred to the work of the Audit Service in core services such as Adult Services and Children's Services and asked officers if there is confidence in the Management Assurance Framework to enable Internal Audit to begin to pull back from those areas.

The Committee was informed that the Management Assurance Framework provided managers within the authority with a system that can be tested to help provide

confidence and will provide a level of assurance with their arrangements, although the Internal Audit Service will be available to provide support where needed.

Decisions

1. The Committee noted the report on the proposals for development of the Manchester Internal Audit Service and to receive further updates and reports in April 2021 (Annual Opinion) and September 2021 (Updated Internal Audit Strategy, QAIP and Annual Audit Plan) and the comments received.
2. To thank the officers of the Internal Audit service for the work they have undertaken over the past year under difficult circumstances that has benefitted a large number of the residents of Manchester.
3. To provide an update on Outstanding Audit Recommendations to the next meeting of the Committee.

(Note: Dr Barker informed the Committee that through he is employment by Manchester University and is the line manager to the Interim Deputy City Treasurer's husband but had never met the Interim Deputy City Treasurer.)