

## **Audit Committee**

### **Minutes of the meeting held on Tuesday, 28 September 2021**

**Present:** Councillor Ahmed Ali (Chair) – in the Chair

**Councillors:** Clay and Russell,  
**Co-opted Members:** Barker and Downs

**Apologies:** Councillor Hitchen and Lanchbury

**Also present:** Councillor Craig

#### **AC/20/26. Minutes**

##### **Decision**

To approve the minutes of the meeting held on 27 July 2021 as a correct record.

#### **AC/20/27. External Audit Progress report**

The Committee considered a report of the Council's External Auditors (Mazars) which set out progress of ongoing audit activity. The report set out:

- Progress against the conclusion of external audit activity for 2019/20
- the current position and planned approach for external audit activity for 2020/21
- An outline of the National Audit Office's recently updated Financial Sustainability of Local Authorities report
- An outline of recent changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

In considering the current position in respect of the submission of the Council's 2019/20 Whole of Government Accounts (WGA), the Committee was invited to note that the Council had met the final accounts publication deadline of 31 July 2021 and that matters remained on track for the completion of external audit activity by November 2021.

There was discussion about the findings of the Financial Sustainability of Local Authorities data visualisation which reported growth in some new and alternative income streams. The Chair asked to what extent external auditors became involved in the exploration of potential income streams. Karen Murray (Mazars) said that regular meetings with the Finance Team and the City Treasurer, where discussions of this nature may arise. Generally speaking such discussions took place well in advance to enable sufficient time to clarify any queries.

##### **Decision**

To note the report.

### **AC/20/28. Review of internal Audit and Quality Assurance Improvement Programme (QAIP)**

The Committee received a report of the Deputy Chief Executive and City Treasurer Head of Internal Audit and Risk Management which discussed the annual review of effectiveness of the Council's internal audit function as part of ongoing assurance processes. The report highlighted that the review of effectiveness had been scheduled for submission to this Committee in April 2021 but was delayed due to the pandemic.

Key points and themes in the report included:

- The context, structure and scope of the review
- An overview of audit planning and priorities
- A discussion of resources
- The purpose and scope of the Quality Assurance Improvement Plan (QAIP)
- A summary of progress and activity up to September 2021.

A member asked the progress of the longstanding service restructure. The Committee was informed that whilst the progress of implementing a revised structure had been delayed by the impact of the pandemic, matters were in hand and recruitment should take place in December of this year. This would therefore strengthen the core internal audit function as well as counter fraud activity. The Committee resolved to receive a report on the implementation of the Internal Audit Service restructure at its January 2022 meeting.

Discussions moved to the Internal Audit Service should be externally reviewed. The Committee endorsed the proposal that Manchester undertakes a review of Birmingham City council in early 2022 and be reviewed by the team from Sheffield in Spring 2022, noting that a further report on the timing and scope shall be submitted to a future meeting of the Committee.

Noting the reports narrative around priority and pressures, a member asked about the balance of activity between Manchester City Council and Bolton Metropolitan Borough Council. The Deputy Head of internal Audit and Risk management explained that whilst Bolton Metropolitan Borough Council had its own internal audit team, support was provided by the Head and Deputy Head of Internal Risk Management. He estimated that prior to the pandemic this took up approximately 30% of resource, though this reduced significantly during the pandemic as their team was engaged in pandemic recovery fund-related activity. He invited the Committee to note that the reduction in planned audit activity within the Council's own team had partly been due to a lack of client availability. He also explained that as things return to 'business as usual' the plan was to re-establish links with Bolton and determine the level of support required by their in-house team. Noting the comments around the depth and diversity of the skills mix within the team, and using the example of cyber fraud risk, a member asked how well this competence mix matched the balance of risk across the organisation. The Deputy Head of Audit and Risk Management said that whilst there was sector specific competence within the team, retention of ICT auditors within the organisation presented a challenge and as such, support from

Salford City Council's ICT audit was outsourced. He assured the Committee that through this collaborative approach cyber risk is effectively audited in Manchester.

Discussions then moved to the effectiveness of support provided to the Internal Audit service through the function of this Committee. The Deputy Head of Audit and Risk Management explained that the frequency of training for Audit Committee members was determined through specific CIPFA guidance. The Chair then spoke about the complexities of local government finance and governance arrangements and indicated that a private training session for committee members would be scheduled for its December meeting where practices to explore and underpin efficacy may be discussed in greater depth.

There was a discussion about the Committee's Terms of Reference with a particular focus on impairments to independence or objectivity within the audit function and the periodic review of safeguards to limit such impairments. The Deputy Head of Audit and Risk Management gave assurance that all possible conflicts of interest are explored through existing governance arrangements and agreed to provide a report outlining this area of activity to a future meeting of the committee. The Committee also agreed to add a report on the selection of external service providers and the agreement of the terms of appointment to its future work programme.

The Committee the discussed the focus of audit planning priorities as pandemic related demands lessen. The Deputy Head of Audit and Risk Management indicated that the internal audit service was currently focussing capacity on business-as-usual activities at an approximately of 80% of previous levels. The report outlined areas of focus which included two examples of the Council's wholly owned companies. The Deputy Chief Executive and City Treasurer asked the Committee to note that a report that discussed governance arrangements concerning the council's wholly owned companies had recently been submitted to the Resources and Governance Scrutiny Committee and that this could be shared with Audit Committee members for information.

## Decisions

- 1 Note the level of assurance provided by the review of effectiveness and progress on management improvement actions from the Quality Assurance Improvement Plan (QAIP) and planned actions for 2021/22.
- 2 To endorse the proposal for an External Audit Assessment of the Internal Audit Service through a Core Cities peer review programme, noting that a further report on timing and scope shall be submitted to a future meeting of the committee.
- 3 To agree the Audit Committee's Terms of Reference
- 4 To endorse the Internal Audit Charter.
5. To schedule a report which discusses the implementation of the Internal Audit Service restructure at its January 2022 meeting.

5. To schedule a report on safeguards that limit impairments to independence within the internal audit function to the Committee's future work programme.
6. To schedule a report which discusses the selection of external service providers (including the agreement of the terms of appointment) to the Committee's future work programme.

### **AC/20/29. Work Programme and Decisions Monitor**

The Committee considered its work programme and Decisions Monitor.

Mindful that the committee had earlier agreed to the submission of reports to its future Work Programme, the Deputy Chief Executive and City Treasurer advised that officers were planning to bring the Annual Audit Complaints procedure to the next meeting of the committee. The Committee agreed to this.

On reviewing the recommendations monitor, a member commented that he had not received information outlining the function, role and remit of the Commercial Board (Procurement, Contracts and Commissioning) in the timescale agreed. The Deputy Head of Audit and Risk Management advised that this remained in progress as the plan was to include information concerning the implications of the Council's Future Shape with a particular focus on the impact on associated Boards. In the meantime, the Terms of Reference of the Commercial Board would be circulated as requested.

### **Decision**

1. To agree the Committee's Work Programme, noting that the following had been added under the previous item of business:
  - a) a report on the timing and scope of the External Audit Assessment of the Internal Audit Service through a Core Cities peer review programme shall be submitted to a future meeting
  - b) a report on safeguards that limit impairments to independence within the internal audit service shall be submitted to a future meeting
  - c) a report on the selection of external service providers (including the agreement of the terms of appointment) shall be added to the Committee's future work programme, and;
  - d) a report which discusses the implementation of the Internal Audit Service restructure had been scheduled for the Committee's January 2022 meeting.
2. To agree that a report on the Annual Audit Complaints procedure shall be submitted to the next meeting of the Committee.
3. To note that the Terms of Reference of the Commercial Board shall be circulated to committee members for information.
4. To note the Decisions Monitor.

### **AC/20/30. Exclusion of Public**

A recommendation was made that the public be excluded during consideration of the following items of business.

#### **DECISION**

To exclude the public during consideration of the following items 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/20/31. Annual Counter Fraud report [Public Excluded]**

The Committee considered a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management which presented a summary of anti-fraud arrangements and investigative work undertaken during 2020/21, with particular focus on the work delivered by the Internal Audit section.

The report provided an illustration of the strategic approach local authorities should take and the main areas of focus in response to fraud and corruption risk. It also discussed internal control arrangements and plans as well as a discussion of financial outcomes. A summary of the proactive and reactive caseload was provided as well as a summary of the key areas of work for 2021/22.

The Committee explored particular aspects of the Whistleblowing policy as well as the proactive and reactive caseloads.

The Committee resolved to receive a short update on the formulation of a new audit plan for Housing Operations (formerly Northwards).

The Deputy Chief Executive and City Treasurer gave particular praise to the Anti Fraud team for their hard work, stoicism and professionalism in delivering their additional workload throughout the period of the pandemic. The Chair echoed this.

#### **Decision**

1. To note the assurance provided by Internal Audit as summarised within the Annual Fraud Report for 2020/21.
2. To agree that an update on the formulation of the new audit plan for Housing Operations shall be submitted to a future meeting of the Committee.

[Councillor Russell declared a personal interest as Governor of Rackhouse School.]