



## **Audit Committee**

Date: Tuesday, 28 September 2021

Time: 10.00 am

Venue: Council Chamber, Level 2, Town Hall Extension

Everyone is welcome to attend this committee meeting.

**There will be a private meeting for Members only at 9.30am in Committee Room 6 (Room 2006), 2nd Floor of Town Hall Extension. . A Town Hall pass is needed to reach this room.**

### **Access to the Council Chamber**

Public access to the Council Chamber 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. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

### **Face masks / Track and Trace**

Anyone attending the meeting is encouraged to wear a face mask for the duration of your time in the building and to provide contact details for track and trace purposes.

### **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**

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**Councillors** - Ahmed Ali (Chair), Clay, Hitchen, Lanchbury, and Russell

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

## Agenda

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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 - 10  
To approve as a correct record the minutes of the meeting held on 27 July 2021.
5. **External Audit Progress report** 11 - 20  
The report of the External Auditors is enclosed.
6. **Review of internal Audit and Quality Assurance Improvement Programme (QAIP)**  
The report of the Deputy Chief Executive and City Treasurer **will follow**.
7. **Annual Counter Fraud report [Public Excluded]**  
The report of the Head of Internal Audit and Risk **will follow**.

## Information about the Committee

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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](http://www.manchester.gov.uk).

Smoking is not allowed in Council buildings.

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

## Further Information

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

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This agenda was issued on **Monday, 20 September 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

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## **Audit Committee**

### **Minutes of the meeting held on 27 July 2021**

#### **Present:**

Councillor Ahmed Ali - In the Chair  
Councillors Lanchbury and Hitchen

#### **Also Present:**

Karen Murray, Mazars (External Auditor)

#### **Apologies:**

Councillors Clay and Russell  
Independent Co-opted member: Dr D Barker  
Independent Co-opted member: Dr S Downs

### **AC/21/17 Minutes**

#### **Decision**

To approve the minutes of the meeting held on 15 June 2021 as a correct record.

### **AC/21/18 External Audit - update**

The Committee received an oral update from Mazars the external auditor. Karen Murray stated that as previously reported to the Committee the external audit opinion would be submitted in November 2021.

#### **Decision**

To note the oral update.

### **AC/21/19 Annual Accounts 2021/21**

The Committee received the 2020/21 Annual Accounts, which had been signed by the Deputy Chief Executive and City Treasurer.

The Committee received an accompanying presentation entitled 'Annual Accounts 2021/21 – Overview of the Accounts and Key Issues' that was delivered by the Deputy City Treasurer.

Members of the Committee recognised the importance of the policy adopted by the Council over previous years to maintain a number of reserves, noting that the benefits of this had been realised during the pandemic.

In response to Members question the Deputy City Treasurer advised that the reduction in income to the Council as a result of the pandemic was experienced

nationally, however the Government had launched the Tax Income Guarantee Scheme which would allow local authorities to claim up to 75% of lost income from sales, fees and charges as well as Council Tax and Business Rates. He added that the financial impact of Covid would continue to be realised over the upcoming financial years and the Council would endeavour to collect all monies owed and grant funding would be used to support the most vulnerable residents in the city.

The Deputy City Treasurer further commented that the funding settlement was, as yet, unknown and a longer-term settlement, rather than an annual one was required to support the Council and enable longer term planning.

In response to Member's question regarding the underspend of £3.9m the Deputy City Treasurer advised that was transferred into general reserves and Directorates experiencing specific budgetary pressures had been supported and would be closely monitored.

The Deputy Chief Executive and City Treasurer advised the Committee that despite the pandemic the two major Capital Programme schemes, the refurbishment of the Town Hall and the Factory had continued to be delivered and the use of prudent budgeting and planning would mitigate against some of the pressures and challenges arising as a result of the pandemic, however factors such as inflationary pressures and the rising costs of materials were potential areas of risk and would continue to be closely monitored.

The Deputy Chief Executive and City Treasurer further informed the Committee of the agreed timescale for the reporting of the Group Accounts that were referred to in the presentation.

In conclusion the Committee, the Deputy Chief Executive and City Treasurer and the Deputy City Treasurer paid tribute to all staff for their response in supporting the residents of the city during the pandemic. The Committee placed on record their appreciation to the Finance Team for preparing the accounts under such challenging circumstances.

## **Decisions**

To note the unaudited 2020/21 Annual Account, signed by the Deputy Chief Executive and City Treasurer, including the narrative report.

### **AC/21/20 Capital Programme Outturn 2020/21**

The Committee considered a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management which informed Members of the outturn of capital expenditure for 2020/21; the financing of capital expenditure for 2020/21; the major variances between the 2020/21 outturn and the previous Capital Programme monitoring report submitted in February 2021 and the revised capital programme budget for 2021/22 and subsequent years as a result of the review of the programme following outturn.

Members commented that despite the pandemic significant progress had been made in delivering the Highways Capital Programme and programmes associated with decarbonisation. Members commented that this progress needed to be communicated to residents.

In response to comments from the Committee the Deputy City Treasurer advised that a rigorous system of contingency planning and oversight was provided by a number of mechanisms, including dedicated project boards and project management. He further commented that the Asset Management Plan assisted with the cyclical maintenance and management of assets.

The Head of Audit and Risk Management stated that a system of strong contract management also provided an ongoing level of assurance regarding early identification of risks associated with projects.

In response to a request for further information relating to the reported Fire Risk Assessments the Deputy Chief Executive and City Treasurer stated that she would circulate this following the meeting.

### **Decision**

To note the report.

### **AC/21/21 Revenue Outturn Report 2020/21**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that set out the final outturn position for the Council's revenue budget in 2020/21. It also highlighted the movements from the previous forecast for the year, which was reported to the Executive in February 2021, based on the position as at the end of December 2020.

In response to a comment from a Member regarding the numbers of Adult Social Care assessments the Executive Director of Adult Social Services stated that the number of referrals were beginning to increase, and these were to be managed through the Better Outcome Better Lives approach that adopted a strength-based approach to assessment. She added that increased staffing to deliver this important work had been achieved through grant funding and waiting lists were risk managed to prioritise those residents in most need. She further commented that a workstream to consider technology enabled care (TEC) to maximise a citizen's independence had been established as part of the Better Outcome Better Lives programme.

A Member commented that there was a potential for an increased demand on homelessness services as a result of the government's decision to remove the ban on the issuing Section 21 notices (notice to quit) that had been in place during the pandemic.

### **Decisions**

To note the report.

### **AC/21/22 Treasury Management Outturn Report 2020/21**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided information in relation to Treasury Management activities of the Council 2020/21.

A Member enquired if there were risks identified to any existing projects that were funded via European Union (EU) Funding, to which the Deputy Chief Executive and City Treasurer responded that existing funding such as that to deliver the zero carbon projects were secured, however the challenge and risk for future projects remained an issue. She advised that the Government had announced that a Shared Prosperity Fund had been established that was intended to replace EU Funding.

#### **Decision**

To note the report.

### **AC/21/23 Outstanding Audit Recommendations**

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management that summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

The Committee welcomed the reported progress to date, in particular those in relation to Adult Social Care and transitions. The Head of Audit and Risk Management informed the Committee that he had been informed that the actions in response to the Planning for Permanence recommendations had been completed and that he had been provided with a description of progress made. He reassured the Committee that a follow up audit would be completed by the end of August 2021 and the outcome of this would be reported to Audit Committee in the next assurance update.

#### **Decision**

To note the report.

### **AC/21/24 Implications of the Redmond Review on External Audit**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that outlined the findings of the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting conducted by Tony Redmond which reported in September 2020.

The review was established in September 2019 by which time, it had become clear that there were problems in the local audit regime, specifically in relation to the audit of local government bodies such as councils, police bodies and this was evidenced by the fact that some 40% of audits were not completed in line with the 31 July reporting timetable set out in the Local Audit & Accountability Act 2014.

The Ministry of Housing and Local Government (MHCLG) had subsequently responded to the findings of the review and proposed a number of measures to be adopted in relation to the external audit function in Local Government.

A Member asked the External Auditor if she had an opinion as to whether the current Audit Committee arrangements could be improved. The External Auditor replied that she was assured by the current arrangements, in particular the appointment of two independent co-opted members, noting that they provided an additional skill set and challenge to the Committee and contributed greatly to the meetings. She further commented that she was assured by the level of reporting in relation of partnership arrangements. She concluded by supporting a Member's suggestion that the External Auditor should reports annually to Council, commenting that this would assist in informing all Members of their collective responsibility in relation to the accounts.

A Member sought an assurance that Social Value continued to be included in all Council contracts to which the Deputy Chief Executive and City Treasurer confirmed that this was the case.

### **Decision**

To note the report.

### **AC/21/25 Committee Work Programme**

Members were invited to agree the Committee's future work programme. A Member commented that she would notify the Chair of any items of business that she would like to have included.

### **Decision**

To approve the Work Programme, noting the above comment.

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# Audit Progress Report

Manchester City Council

Pages 11  
September 2021



1. Audit Progress
2. National Publications

# 01

## Section 01: **Audit Progress**

# 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

### 2019/20

We have not yet completed and submitted our audit work on the Council's 2019/20 Whole of Government Accounts (WGA) submission and have not therefore completed the final element of our 2019/20 audit. We are awaiting responses to our final audit queries and the Council has yet to receive a response to their queries to the national WGA team regarding IT related issues with their electronic submission.

### 2020/21

We received draft accounts in August 2021 when they were published on the Council's website. We have commenced our detailed audit work on the statements and this work will continue through September and October. We expect that our audit will be remote based again and we have set up weekly liaison meetings with the Council's finance team to discuss the audit progress and minimise the risk of unnecessary audit delays. The work is in its early stages and there are no issues to report to committee at this stage.

# 02

## Section 02: National Publications

# National Publications

|                       | Publication/update   | Key points                           | Page |
|-----------------------|--|--------------------------------------|------|
| National Audit Office |  |                                      |      |
| 1                     | Financial sustainability of local authorities visualisation: update          | Updated summary comparative analysis | 7    |
| CIPFA                 |  |                                      |      |
| 2                     | Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 | New code for 2021/22                 | 8    |

# NATIONAL PUBLICATIONS

## National Audit Office

### 1. Financial sustainability of local authorities visualisation: update, July 2021

The data visualisation describes changes in English local authorities' financial circumstances over the last decade.

It updates a number of pieces of analysis originally set out in the NAOs 2018 report Financial sustainability of local authorities 2018 and its accompanying data visualisation (2018). It also draws on and updates analysis and findings from their 2016 report Financial sustainability of local authorities: capital expenditure and resourcing and its data visualisation (2016), and the 2020 report Local authority investment in commercial property.

Key themes explored in the data visualisation include:

- Reductions in revenue funding
- Growth in some new and alternative income streams
- Changing patterns of service spending
- New capital investment strategies and associated risks
- Changing patterns of financial sustainability

<https://www.nao.org.uk/other/financial-sustainability-of-local-authorities-visualisation-update/>

# NATIONAL PUBLICATIONS

## CIPFA

### 2. Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, June 2021

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2021/22 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2021.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

The edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements. Changes include:

- Reframing the Code requirements in terms of UK-adopted standards rather than EU adopted standards, reflecting the United Kingdom's withdrawal from the European Union.
- Confirmation of the accounting arrangements for the Dedicated Schools Grant to reflect changes to the statutory requirements.
- Amendments to confirm the existing adaptation in the Code for standards issued but not yet adopted.
- Augmentations to the reporting of estimation uncertainty.
- Confirmation of the reporting requirements for interest rate benchmark reform.

Importantly, the Code includes an appendix on the future implementation of the IFRS 16 Leases standard, which has been deferred for a further year. The appendix sets out the anticipated provisions in the 2022/23 Code and it will allow local authority accounts preparers to make effective preparations for the implementation of the standard in the 2022/23 financial year. Note that early adoption of IFRS 16 is not permitted, with the exception of Transport for London.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202122-online>

# Contact

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