

Audit Committee

Minutes of the meeting held on Tuesday, 15 February 2022

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

Councillors: Clay, Hitchen, Lanchbury, Robinson, Russell, Barker and Downs

Apologies: Councillor

Also present: Councillors: Craig

AC/22/1. Minutes

Decision

To approve the minutes of the meeting held on 23 November 2021 as a correct record.

AC/22/2. Internal Audit Assurance Report Q3

The Committee considered a report of the Head of Audit and Risk Management which provided an update of progress on the agreed audit plan 2021/22; additional work assigned to the audit service and copies of the audit opinions issued in the period November 2021 to January 2022.

The report included information on:

- The Audit Programme of Delivery
- Resource and Planning Objectives
- Children's Services and Education audit activity including, School Financial Health Checks, Foster Care payments
- Adults Services audit activity including, Client Financial Services (Appointeeships), Direct Payments, Technology Enabled Care, Better Outcomes Better Lives, Adults Management Oversight and Supervisions,
- Corporate Core audit activity including, Information Governance, Information and ICT, Core Systems
- Neighbourhoods; Growth and Strategic Development audit activity including Housing Operations – Governance Arrangements, Approach to Empty Homes and Voids, Victoria North (formerly Northern Gateway), Traffic Signals Maintenance Grant
- Audit activity relating to Procurement, Contracts and Commissioning (PCC) practices including Factory Project Assurance, a follow up review – Children's Placements, Carbon Reduction in Procurement, Contract Management – Adult Social Care, Waivers and Contract Extensions
- Audit Activity relating to Counter-Fraud and Investigations including Proactive activity and Reactive Corporate Cases; and

- Other Investigations including Business Grants, Council Tax Reduction Scheme and Housing Tenancies
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Appended to the report were:

- The delivery status of the annual audit plan 2021/22
- Executive summaries November 2021 to January 2022; and
- The basis of Audit Assessments (Opinion/Priority/Impact)

The key lines of enquiry discussed in the meeting were in relation to:

- School Financial Health Checks, in respect of all final reports resulting in a limited assurance opinion
- The approach to Empty Homes and Voids,
- Adults Services: Client Financial Services (Appointeeships),
- Procurement, Contracts and Commissioning - Waivers and Contract Extensions

Members welcomed the proposals outlined in relation to Empty Homes and Voids noting that progress on addressing the matter had likely been impacted on by the global pandemic. The Head of Audit and Risk Management gave clarification that Internal Audit's remit would be on the systems and processes in place to deliver an effective voids management system. The Deputy Chief Executive and City Treasurer suggested that it would be helpful for members to receive a report to be scheduled for the new municipal year which outlines actions and progress in terms of the assimilation of Northwards into the Council's Housing Operations Service.

With regard to Adult Social Care Waiver and Contract Extensions, The Head of Audit and Risk Management reported no concerns over compliance but indicated that coordinated work through the Commercial Board was needed to simplify constitutional wording in respect of contract authorisations as it had been deemed too constraining.

Members were informed that it was anticipated that the audit of contract management arrangements (Adults Services) would be complete with a final report issued by early May 2022. Should that timescale be delayed, the Director would be asked to provide an explanation to the Committee at its request.

In light of the proposal to defer planned audit activity of Adult Services Directorate Direct Payments (Client Financial Services) until 2022/23 due to arrangements being in place for that work to be delivered by the relevant professional bodies, Members sought to explore the extent to which audit work was coordinated across Greater Manchester (GM) boroughs to prevent unnecessary duplication. The Head of Audit and Risk Management described a well-established and positive relationship with colleagues in the GMCA citing good examples of coordinated work, though it was recognised that greater coordination may be possible in light of the presence of integrated care systems.

In respect of the assurance opinions relating to School Financial Health Checks, the Committee sought to explore the underlying reasons in light of all of the schools

named in the report having been ranked as 'limited'. Members highlighted this as a concern. The Head of Audit and Risk Management gave assurance that this did not reflect the position across all schools and was confined to a targeted sample of schools where it was understood that focussed audit work was indicated. These were smaller establishments where segregation of duties was more likely to be impacted upon by changed processes and priorities resulting from the global pandemic. He also indicated that this was, in part, a reflection of the criteria for selection of schools for inclusion in audit activity. The Committee discussed the benefits of reciprocal arrangements between smaller schools where challenges around duty segregation were evident as well as the importance of contingency measures which could be achieved through cluster arrangements and / or traded business support functions for instances related to significant staff absence. The Head of Audit and Risk Management agreed to reiterate the benefits of reciprocal arrangements as a possible way forward for schools facing challenges of this type. The Deputy Chief Executive and City Treasurer made reference to the monitoring role of the Local Authority's wider finance teams in terms of oversight and management of financial risk for maintained schools, which sit in parallel to the work of the internal audit function. A report which outlines the broad scope of the Local Authority's relationship with schools would be scheduled in the new municipal year to describe those relationships in a bid to address those concerns.

Discussions moved to Appointeeships for Client Financial Services – a member noted that two key actions that had been previously identified had not yet been implemented. The Deputy Chief Executive and City Treasurer informed the Committee that the Service Manager had met with herself and the Head of Audit and Risk Management to discuss the audit findings and there was confidence that the right arrangements were in place. A substantive response to outstanding actions were anticipated for early April 2022, adding that the service had recently been audited by the Office of the Public Guardian, the findings of which had been positive in respect of their audit of records management and the associated processes that were in place.

With regard to delivery of the Audit Programme, Members sought assurance that there was sufficient capacity within the team to catch up on planned activity that had not yet started. The Head of Audit and Risk Management gave assurance that the finalisation of the redesign remained on track in terms of planned implementation timescales. The Deputy Chief Executive and City Treasurer suggested that the next assurance report would include specific reference to the impact of Business Rates /government grants work and the COVID relief fund in respect of impact on audit programming. The Chair requested that the redesign of Human Resources and Organisational Development should also be included for discussion.

Decision

1. To note the report.
2. To schedule a report which describes the Local Authority's education and finance colleagues' relationship with the maintained schools' sector, in terms of management of compliance, oversight and measures of internal control in the new municipal year.

3. To request that the next scheduled assurance report includes information about Business Rates /government grants assurance work, including the COVID relief fund legacy and the HROD redesign

AC/22/3. Outstanding Audit Recommendations Q3

The Committee considered a report of the Head of Audit and Risk Management which summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations, in line with PSAA requirements.

The report provided information on:

- The standard process for follow up on management actions on high-risk recommendations
- The current implementation position, including outstanding audit recommendations (over 12 months), Significant / Critical Overdue Recommendations (less than 6 months), as well as those not yet overdue.

An overview of all outstanding recommendations was appended to the report.

Key lines of enquiry of enquiry discussed in the meeting were in relation to outstanding recommendations in respect of:

- Mental Health Casework - the development of processes for reconciling safeguarding referrals and the outcomes of these between the Council and the Trust
- Transitions of social care from Children's to Adults Services
- Section 106 agreements

In introducing the report, the Head of Audit and Risk Management referred to a discussion at the Committee's November 2021 meeting about the implementation of recommendations about the frequency of Planning for Permanence meetings. The Deputy Director of Children's Services attended the meeting and explained that the policy around planning for permanence had since been revised to bring about a greater focus on the individual circumstances of the child / young person. These meetings were now scheduled to take place before a child's second review meeting and was felt to imbue more meaning and purpose to that measure. In terms of the frequency of those meetings, a quantitative measure was delivered through a monthly dashboard that is routinely considered by the Corporate Parenting Panel (CPP). A member agreed that the matter had been well debated and carefully considered by the CPP with the issue of finding appropriate placements remaining high on its agenda.

With regard to Mental Health Casework, a member expressed concern that the recommendation had not been implemented, mindful of the length of time that had elapsed. Whilst it was acknowledged that the impact of the global pandemic had more than likely adversely impacted progress, the implication on safeguarding of a vulnerable cohort was highlighted as a concern and that appropriate rigor and

scrutiny should therefore be applied. It was also noted that no revised completion date for this action had been submitted. Members noted that reference to the delay had been attributed to challenges around staff training during the pandemic and the interface between the Council's Liquid Logic and the Trust's own platform. Whilst it was acknowledged that there had been some change to strategy, the detailed reasons for the delay and barriers to implementation remained unclear. The Committee resolved to request that the Director of Adults Services provides a formal update on this specific issue for the next meeting of the Committee. It was also suggested that the response should encompass all of the outstanding recommendations made in connection with Adult Services in light of safeguarding considerations. The Deputy Chief Executive and City Treasurer agreed that a formal response from the Director was necessary but gave assurance that in the absence of the outstanding recommendations being implemented, other measures were in place to ensure that cases were appropriately reviewed during the significant additional challenge faced by Adult Social Care colleagues throughout the pandemic .

Decision

1. To note the report
2. To schedule a report for the next meeting of the committee which provides in depth detail on the barriers to implementation of recommendations yet to be implemented for Directorate for Adults.

AC/22/4. External Audit Progress

The Committee considered the report of the External Auditors (Mazars) which set out progress towards completion of the annual external audit and provided a summary of reports and publications which may be of interest to the Committee in its wider governance role.

Karen Murray (Partner, Mazars) introduced the report stating, with regard to the completion of the 2019/20 Whole of Government Accounts (WGA), that updated submissions were received from the Council in December 2021, resulting in completion of the audit within the final deadline. As previously reported, the delays were described as being due to technical difficulties with the interface with the HM Treasury online portal and subsequent output to evidence the trail of audited financial statements. Delays were also due in part to the unresolved audit queries as a result of staff absences which had led to additional audit work resulting in additional fees in line with Public Sector Audit Appointment (PSAA) arrangements.

Work concerning financial statements, audit queries and evidence requests for 2020/21 was still being progressed across a number of account areas, although the number of outstanding areas had significantly reduced. It was reiterated that the most significant and complex area requiring completion was in relation to sample testing of the valuation of Council land, buildings and investment properties, involving input from several external valuers across a diverse asset base. The intention was for Mazars to complete their audit work in time for the Committee's March meeting however the challenges and complexities associated with this particular area of activity presented a risk that that timetable may be unachievable.

In respect of audit work in connection with Value for Money arrangements, changes to the NAO Code of Audit Practice had changed the nature of external audit work for arrangements for 2020/21. This work would be concluded in conjunction with the completion of the activity around financial statements.

With regard to Whole of Government Accounts (WGA) work for 2020/21, the Committee was invited to note that instructions and timetable had not yet been issued resulting in the Council being unable to progress its 2020/21 submission. It was explained that this was because HM Treasury was in the process in seeking to resolve challenges with the system that they use. In addition, Mazars's audit instructions and timetable are issued by the National Audit Office. Those instructions had also not yet been issued and as a result, those delays to the timetable would place additional pressures on the Council and Mazars.

Moving to discussion about the national publications, Ms Murray drew the Committee's attention to a consultation announced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on time limited changes to the Code with effect from the end of March 2022. The aim being to help alleviate delays to the publication of audited financial statements in light of only 9% of Local Authority accounts in England having met the audit publication deadline of 30 September 2021. Ms Murray indicated that the consultation should be considered in conjunction with newly announced measures to improve the timeliness of local audit and accounts as well as confirmation of the audit timetable by the Department of Levelling Up, Housing and Communities (DLUHC). These include additional funds and an extension of the deadline for publishing accounts.

There was a discussion about the impact of the delays on the 2021/22 external audit. The Committee was informed that some aspects of the audit were possible, though the progression of detailed audit work would be delayed. The associated changes to the audit timetable would need to be worked through in consultation with the Council's finance teams to agree an achievable timetable.

With regard to the anticipated completion date of March 2022, Ms Murray described the challenges and complexities at large in the audit for valuation of land, buildings and properties. The Deputy Chief Executive and City Treasurer explained that in recent years there had been a change in emphasis on the importance of valuations, with local government gradually moving towards an audit regime similar to that found within the private sector. For the private sector the treatment of assets on the balance sheet was material, in that collateral may be raised against it. However, in local government bodies, the position differed with regard to public sector assets (eg schools) and this presented a challenge in terms of financial value in local audits, with an associated pressure to provide the same quality of regularly updated valuations across all of the public estate. Turning to the CIPFA consultation referred to by Ms Murray, the Deputy Chief Executive and City Treasurer explained that the aim of the consultation sought to establish whether valuations for some public sector assets could be simplified. However, on the assumption that this was not possible a significant investment in work to underpin valuation records of the Council's complex and diverse public sector estate was likely. With regard to the Council's response to the CIPFA consultation, the Deputy Chief Executive and City Treasurer informed the

Committee that this would be done in collaboration with Core Cities colleagues in respect of the valuations, however irrespective of the outcome of the consultation it was felt that a material change to the 2021/22 audit was unlikely due to tight timescales.

Decision

To note the report.

AC/22/5. Work Programme and Recommendations Monitor

The Committee considered a report of the Governance and Scrutiny Support Unit which provided a summary of recent recommendations made by the Committee and the its draft Work Programme.

Decision

To note the report.

AC/22/6. Exclusion of the 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/22/7. 2018/19 Audit and Accounts [Part B]

The Committee received an oral statement from the Deputy Chief Executive and City Treasurer on the 2018/19 Audit and Accounts.

Decision

To note the statement.

(Councillor Robinson declared a personal interest as a tenant of Solutions for Brunswick (S4B))