

## **Audit Committee**

### **Minutes of the meeting held on Tuesday, 14 June 2022**

**Present:** Councillor – in the Chair

**Councillors:** Good, Lanchbury, Russell, Simcock, Wheeler, Barker and Downs

**Apologies:** Councillor Curley and Flanagan

**Also present:** Councillors:

#### **AC/22/14. Minutes**

##### **Decision**

To approve the minutes of the meeting held on 12 April 2022 as a correct record.

#### **AC/22/15. Draft Annual Governance Statement 2021/22**

The Committee considered a report of the Deputy Chief Executive and City Treasurer which presented the draft 2021/22 Annual Governance Statement (AGS), following completion of the annual review of the Council's governance arrangements and systems of internal control. The processes followed to produce the AGS were outlined in the report.

In addition to the scope, purpose and context, the report also included information about:

- The document's format and sections of the document, including an outline of improvements that had been made; namely a focus on producing a more easily digestible document with digital accessibility improvements, in particular for those with visual impairments, to align with good practice.
- How Governance Arrangements are communicated;
- A discussion of next steps and the Annual Governance Statement's Timeline

The Reform and Innovation Manager reported good progress in terms of strengthened and effective governance arrangements such that six of the challenges identified in the previous governance statement had been stepped down in respect of the Action Plan for 2022/23 resulting in an overall reduction in the number to be taken forward.

The main points of discussion in the meeting were:

- In view of its responsibilities for governance arrangements and systems of internal control, the frequency with which the Senior Management Team (SMT) discusses governance matters
- Noting the Head of Audit and Risk Management Annual Opinion 2021/22 was cited as 'reasonable', what actions could be taken to reach a position of

- ‘substantial’ assurance.
- The role of Trade Unions in consultations with staff where significant developments were underway.
- The role of the Audit Committee in amending the Council’s Climate Change budget and the associated policy development.

In respect of the Head of Audit and Risk Management’s annual opinion of ‘reasonable’, he explained that the opinion had been reached largely in reflection of the scale of change and challenge (the financial pressures the council faces, the scale of ambition in the city as well as recent events that had impacted on Local Authority services). Within that context, the position of ‘reasonable’ was deemed fair in the circumstances, although the aspiration to attain a rating of ‘substantial’ remained a priority for the Authority.

With regard to the frequency with which the SMT discusses governance arrangements, the Deputy Chief Executive and City Treasurer confirmed that this was a fairly regular point of discussion, examples of which included the discussion of the AGS, governance updates, the Corporate Risk Register as well as consideration of major cross-cutting themes, deemed to have a strategic impact.

In respect of the relationship with Trades Unions, the Deputy Chief Executive and City Treasurer advised that the Authority had long established a collaborative approach, involving formal engagement and consultation procedures. It was subsequently agreed to give greater prominence to the collaborative the Local Authority adopts with Trade Unions in the Statement.

With specific reference to the Council’s agreed Climate Change Action Plan and the agreed budget for carbon reduction targets therein, a member asked about the role of the Audit Committee in amending the Climate Change budget and overall policy development with a view to meeting agreed objectives. The Deputy Chief Executive and City Treasurer explained that the AGS reference to the Plan solely focussed on the governance aspects of the Plan – the extracts outlined in the AGS referred to Local Authority’s emissions targets (noting that that two Plans were in place; one for the city as a whole and one solely for the Local Authority) and that it was within the terms of reference of the Council’s Environment and Climate Change Scrutiny Committee (E&CCSC) to scrutinise performance against the Plan and put forward any recommendations concerning proposed amendments. She added that the (Local Authority’s) Plan was considered on a quarterly basis by the E&CCSC and that the Plan for the city as a whole was scheduled to go through governance processes in late September / early October of this year.

## **Decision**

1. To note the draft Annual Governance Statement 2021/22.
2. To agree that greater prominence to the collaborative approach the Local Authority adopts with Trade Unions shall be incorporated into the Statement.

## **AC/22/16. Register of Significant Partnerships**

The Committee considered a report of The Deputy Chief Executive and City Treasurer which presented the annual overview of the Register of Significant Partnerships 2021. A copy of the Register of Significant Partnership is attached at Appendix 1.

In addition to the scope, purpose and context of the Register, the report also included information about:

- The process followed for the production of the Register
- Entries added to the Register in 2021
- Proposed removals to the Register
- Partnerships where the assurance ratings have improved
- Partnerships where governance strength rating remains 'Reasonable' or 'Limited' following latest assessment
- Partnerships with a 'Limited' rating
- Partnerships where governance strength rating has reduced from 'Significant' to 'Reasonable', 'Limited' or 'Weak' since the last assessment

The Head of Programme Management Office (Commercial Governance & Directorate Support) introduced the report and highlighted that in light of comments from the Audit Committee, the format, range and robustness of questions in the annual self assessment form had been strengthened. In addition, the ratings themselves had been amended to provide consistency across the approach to ratings to align with other systems of governance (including for example, the Annual Governance Statement).

The key points of discussion in the meeting were:

- The proposed removal of Manchester Health and Care Commissioning Group (MHCCG) from the Register
- The extent to which partnership arrangements with the University of Manchester could be included on the Register
- The 'reasonable' assurance rating for the Manchester Safeguarding Partnership (MSP)
- Governance assurance ratings for Tenant Management Organisations (TMO)
- The timeline for the winding up of Manchester Working Limited (MWL)

In response to the proposal to remove MHCCG from the Register, it was agreed that the new successor body (Greater Manchester Integrated Care Board) shall be added to the Register to facilitate regular feedback to the Committee. The Committee noted that the assessment of the new entity's governance arrangements was in hand and that oversight would be established once the arrangements for the place-based lead for Manchester and its relationship with the Board had been agreed.

Noting that the Council had a number of joint development sites with the University of Manchester, a member asked about the feasibility of their inclusion on the Register. The Deputy Chief Executive and City Treasurer agreed to explore whether any projects / collaborative structures with the University fell within the scope of the Register.

There was a discussion about the 'reasonable' assurance rating for the MSP. The Head of Programme Management Office (Commercial Governance & Directorate Support) advised that a number of activities were taking place to strengthen, governance, scrutiny and accountability within the MSP which indicated a positive trajectory for the entity and had contributed to its 'reasonable' assurance rating.

Noting the positive trajectory of assurance ratings for a number of TMO's on the Register, there was discussion about the importance of maintaining robust governance arrangements for social housing entities within the city. The Head of Programme Management Office (Commercial Governance & Directorate Support) confirmed that the intention was for such entities to remain on the Register and therefore were required to submit evidence on a routine basis. This would sit in parallel with contractual arrangements that were being developed with colleagues in the Council's Audit function to underpin this monitoring arrangement.

In response to a question about the timescale for the winding up of MWL, The Head of Programme Management Office (Commercial Governance & Directorate Support) advised that it was hoped that the next update on the Register would confirm more information on how far the cessation of entity had advanced.

### **Decision**

To note the latest update of the Council's Register of Significant Partnerships

### **AC/22/17. Internal Audit Service Review Update**

The Committee considered a report of the Head of Audit and Risk Management which provided an overview of progress of a service review across the Audit and Risk Management Division, including the background, rationale and implications for the internal audit service.

In introducing the report, the Head of Audit and Risk Management referred to a recent meeting with HR colleagues about the redesigned roles. He indicated that a broad timetable could be shared once those roles had been reviewed by HR colleagues.

There was a discussion about the efficiency of the service as benchmarked by similar authorities. The Head of Audit and Risk Management referred to a number of quantitative and qualitative measures used to capture performance of the audit and risk management function. These included the delivery of the Quality Assurance Improvement Programme, compliance with accepted audit standards, self assessment and feedback procedures and peer review processes as part of external quality assessment procedures.

### **Decision**

To note the service review update and receive further progress reports.

### **AC/22/18. Risk and Resilience Strategy Management Update**

The Committee considered a report of The Head of Audit and Risk Management which provided an update on organisational risk management arrangements; and a copy of the latest refresh of the Corporate Risk Register (CRR).

In introducing the report, the Head of Audit and Risk Management outlined the Strategy and CRR's important role in the Council's governance framework which was routinely discussed at Senior Management and Directorate Leadership level. He highlighted that the Register was scheduled for review later this year and referred to the broad scope and fluidity of risk in terms of how it continues to manifest and impact across the delivery of Council services.

The key points of discussion in the meeting were:

- The extent to which cumulative and / or compounding risk is effectively demonstrated in the Register's three tiered rating system
- The approach taken for the development of risk management targets within the CRR
- The capability / capacity of the workforce with specific reference to the shortage of skills across the workforce, outside of managerial / technical disciplines
- The introduction of cyber-risk as a stand alone item on the CRR
- The prominence of the risks around key suppliers of goods and services

In response to a question about how cumulative risk is communicated in the three tiered system, the Head of Audit and Risk Management referred to some authorities recently introducing the use of purple to capture cumulative / compounding risk which may be considered in the upcoming review of the Register.

There was a discussion about the approach taken for the development of targets for October 2022 – a member noted that in some instances, the targets resulted in those risks being maintained at the current level as opposed to being reduced. The Head of Audit and Risk Management explained that the rationale had been to develop realistic as opposed to aspirational targets, in light of the current uncertainty around financial / fiscal matters, such that it was anticipated that despite appropriate measures being in place, the level of risk remained high. An achievable target of that risk being maintained in short term was therefore in place. Discussions then moved to the target associated with costs of capital and revenue contracts and the implications on pre-existing budget pressures. The Deputy Chief Executive and City Treasurer explained that at the point that CRR was being finalised, the Council was in the process of finalising its energy contracts and as such inflation contingencies were in place. This however did not apply to wider risks associated with medium term financial resources where it would remain unclear until December of this year what the next financial settlement would be and what impact that would ultimately have on the Council's budget position.

A member suggested that greater weighting and explicit reference ought to be given to the lack of skilled tradespeople within the workforce in the CRR's analysis of key risks, given the anticipated impacts such a shortfall could have on the performance and delivery of particular services (e.g. maintenance services) as well as a knock on

effect on the associated costs of service provision.

In response to a comment about the introduction of cyber-risk as a stand alone item in the CRR, the Head of Audit and Risk Management explained that whilst cyber-risk should not be considered as a new or emerging risk for the Authority, it had previously been embedded within other risks associated with ICT, data governance and information security. A decision had therefore been made to explicitly reference cyber-risk as a standalone category on the CRR.

In response to a comment about the risks related to key supplies, the Head of Audit and Risk Management confirmed that this risk was anticipated to remain on the CRR as aspects of numerous supply chains continued to be impacted upon. This therefore warranted active monitoring and tracking through the CRR as well as other governance instruments such as the Commercial Board.

### **Decision**

To note the assurance provided by the risk management report and approve the Council's Risk Management Strategy.

### **AC/22/19. Risk Review Item: Internal Audit External Quality Assessment**

The Committee considered a report of The Head of Audit and Risk Management which discussed the requirement to undergo external assessment of internal audit effectiveness in line with Public Sector Internal Audit Standards on a five-year cycle. The Council's next external assessment was due for completion during 2022 and following consideration of a number of options, the proposal was put forward for the Authority's assessment to be undertaken on a Core Cities peer review basis.

The report set out the options that had been considered, including associated costs, the wider benefits of the proposed collaborative approach, as well as information about the scope and approach of the assessments. The Committee was invited to endorse the proposal.

Members welcomed the approach and endorsed the proposal

### **Decision**

To endorse the proposal that the next External Quality Assessment be undertaken on a peer review basis as part of the Core Cities group.

### **AC/22/20. Work Programme and Recommendations Monitor**

The Committee considered a report of the Governance and Scrutiny Support Unit which set out its future Work Programme for the forthcoming municipal year.

A member asked that information about the Council's Whistleblowing Policy be included in the scope of the next Annual Anti Fraud report. The Committee agreed to this.

## **Decision**

To agree the Committee's Work programme for the forthcoming municipal year, subject to the amendment above.