

Audit Committee

Minutes of the meeting held on Tuesday, 14 March 2023

Present: Councillor Lanchbury (Chair) – in the Chair

Councillors: Curley, Good, Russell, Simcock, Barker and Downs

Apologies: Councillor Wheeler and Stogia

Also present: Councillors Akbar (Executive Member for Finance) and Stanton (Deputy Executive Member, Finance)

AC/22/54. Minutes

The minutes of the previous were submitted for consideration as a correct record.

On reviewing what had been recorded for discussion of the Assistant Chief Executive's report entitled the Governance and Management of Complaints, a member informed the Committee that he had since been contacted by officers to discuss proposed changes to the way in which councillor enquiries are recorded to truly accurately reflect the volume. Information about those changes would be circulated to all members in due course.

Decision

To approve the minutes of the meeting held on 29 November 2022 as a correct record.

AC/22/55. Internal Audit Assurance

The Committee received a report of the Head of Audit and Risk Management which discussed progress on the agreed audit plan 2022/23; additional work assigned to the Audit service and copies of the audit opinions issued in the period October 2022 to the end of January 2023.

The report provided information on:

- The Audit Plan and Delivery;
- Resourcing and Planning considerations
- Management Oversight and Supervisions, Foster Care Payments, Early Years Casework Management Compliance, Supporting People, Safe Recruitment, Schools Financial Health Checks and Follow up Audits (Children's Services and Education Directorate)
- Payments, Disabled Facilities and Adaptations, Quality Assurance Framework (Directorate for Adults)
- Core, ICT and Information Governance (Corporate Core and Information Governance)

- Building Control, Housing Services: Empty Properties and Voids, Assurance Framework, Damp and Mould in Council and Private Rented Sector Homes (Neighbourhoods; Growth and Strategic Development Directorates)
- Adult Social Care Contract Governance, Social Value Monitoring, Other Assurance, (Procurement, Contracts and Commissioning)
- Proactive and investigations; including 'other reactive investigations' in respect of Business Grants, Council Tax Reduction Scheme and Housing Tenancy (Counter Fraud and Investigations)

With regard to risk management arrangements in the maintained schools sector, the Head of Audit and Risk Management described a mixture picture with findings of limited assurance as well as positive examples where all audit recommendations had been implemented. There was a discussion about safer recruitment arrangements in schools. Noting reference to gaps in knowledge about Human Resources (HR) compliance requirements, the Committee discussed the appropriate steps to satisfy assurance arrangements alongside and the Local Authority's role of support and challenge. With regard to the challenges around finance functions, in particular for small schools, the Committee discussed the role of organisational compliance culture. A number of options on how to address gaps in knowledge were put forward including the outsourcing of certain back office functions to ensure statutory compliance.

The Chair noted the information reported on cyber training and requested that should any concern be identified this should be relayed to the Standards Committee to ensure that the risk is sufficiently ameliorated.

The Committee agree to schedule a report on audit and risk management is conducted for local authority maintained schools. The Chair also requested that the next scheduled assurance report, includes an update on housing with particular reference to the management of voids, damp and mould and the role and relationship with the Housing Advisory Board.

The Head of Audit and Risk Management responded to questions about changes to the Audit Plan, specifically those amended or deferred, and the reasons for those decisions.

Noting the amended framework for the planned audit of Housing Services, the Committee agreed to add a report on the (housing-wide) Improvement Plan with particular reference to governance and compliance principles to its future Work Programme.

The Head of Audit and Risk Management agreed to explore ways to raise awareness about the Social Value Fund through the Member Development programme.

Decision

1. To note the report.
2. To schedule a report to the Committee's future work programme on the audit and risk management in the Local Authority maintained schools sector.

3. To schedule a report to the Committee's future work programme which discusses governance and compliance practices arising from the housing-wide Improvement Plan.
4. To note that The Head of Audit and Risk Management shall explore ways to raise awareness about the Social Value Fund through the Member Development programme.

AC/22/56. Oral Update: Progress of 2020/21 and 2021/22 accounts (Mazars)

The Committee received oral update from the External Auditors (Mazars) which on the completion of external audit work for the financial years 2020/21 and 2021/22.

In respect of the 2020/21 accounts sign off, Karen Murray (Mazars) informed the Committee that work on the accounts was almost complete. The technical and nationwide issue had been addressed by the enactment of a statutory instrument and the appropriate guidance had been issued. However an issue had emerged in respect of the Greater Manchester Pensions Fund (GMPF), currently under exploration with a risk that this could impact on 2021/22 accounts. It was hoped that the 2020/21 accounts could be finalised by the end of April.

With regard to the accounts for the 2021/22 financial year, Alastair Newall (Mazars) informed the Committee that good progress had been made with most areas complete and undergoing the internal review process. Areas not yet complete were described as those complex accounting estimates, including the valuation of the pension liability, and the valuation of land and buildings. It was therefore unlikely that those accounts would be signed off until after the Committee's meeting scheduled for early April 2023.

The Deputy Chief Executive and City Treasurer spoke about the significant challenge the nationwide issue had presented to the Finance team, commending in particular the Finance team's diligence in managing unclosed accounts during concurrent budget setting arrangements. She outlined the complexities with regard to 2021/22 accounts, in particular the timing of technical assessments and sign off processes but gave assurance that officers were doing all they could to complete this work as quickly as possible. However, noting that the statutory timetable was planned to revert to usual sign of deadlines, she indicated that there was potential for an impact on the timeliness of 2022/23 accounts sign off.

The Committee recognised that the challenge to Mazars and the Council's Finance teams sat outside of their control and appreciated that all concerned were doing everything possible to resolve matters.

Decision

To note the update.

AC/22/57. Outstanding Audit Recommendations

In accordance with the Public Sector Internal Audit Standards requirement to establish and maintain a system to monitor the implementation of high priority recommendations to management, the Committee considered a report of the Head of Audit and Risk Management which summarised the implementation position at the end of the last quarter (December 2022) for the Council and for schools including further updates

The report included:

- Information on the current implementation position
- Outstanding recommendations of over 12 months with specific reference to Mental Health Casework and Placement Finding
- Overdue recommendations (1-6 month and 6- 12 months respectively)
- Recommendations arising from School Audit reports

The Head of Audit and Risk Management gave a summary of the report's main points for consideration and outlined a proposal that, in accordance with the established protocol for outstanding recommendations, the Committee's recommendation in respect of mental health casework recording be referred back to senior management as an acknowledged risk in view of the time that had elapsed since the recommendation was made. The Head of Audit and Risk Management would then work with the Director of Adult Social Care as part of arrangements for the forthcoming year's planned audit with a particular focus on the governance principles underpinning mental health assurance and safeguarding activity. Discussions would therefore take place with Greater Manchester Mental Health's internal audit team to provide support and challenge and assure improvement activity in that area. The Committee agreed to this

With regard to the overdue recommendations pertaining to planning in children's placement services, the Head of Audit and Risk Management advised that the implementation of particular matter would be picked up by an ongoing audit due to be completed imminently. Should it become evident that those recommendations had not been implemented or addressed, the matter would be escalated in the established way.

Decision

1. To note the report.
2. To note that in accordance with the established protocol for outstanding recommendations, the Committee's recommendation regarding mental health casework recording shall be referred back to senior management as an acknowledged risk in view of the time that had elapsed since the recommendation was made.

AC/22/58. Accounting concepts, policies, critical accounting judgements and key sources of estimation uncertainty

The Committee received a report of the Deputy Chief Executive and City Treasurer which explained the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty to be used in preparing the 2022/23 annual accounts. Details of a recent emergency Code consultation were also included.

The Deputy City Treasurer introduced the report and highlighted a significant change relating to an entirely new policy for infrastructure assets, the wording for which could be found at paragraph 1.2.4 of the attached policy, in light of recently issued guidance following the recently enacted statutory instrument. He also asked the Committee to note that the Council had decided against the early adoption of the changed International Financial Reporting Standards (IFRS) 16 leasing implementation date which had been reviewed as part of the emergency implementation. The Committee endorsed this.

In response to a question about business rate appeals, the Deputy City Treasurer indicated that it was likely that the amount reserved for appeals would reduce over time due to the shorter amount to time to which payments may be backdated.

The Deputy Chief Executive and City Treasurer also asked the Committee to note that a Treasury Consultation on the treatment infrastructure assets was currently ongoing, which the Council and auditors would be responding to in due course.

Decision

To note the report

AC/22/59. Audit Strategy Memorandum 2021/22 and External Audit Plan

The Committee considered a report of the External Auditors (Mazars) which discussed the Audit Strategy for 2021/22 and the External Audit Plan.

The report included:

- An overview of engagement and responsibilities and the audit engagement team
- Audit scope, approach and timeline
- Information about the Extended Auditor's report
- Significant risks, key audit matters and other key judgement areas
- Value for money arrangements work
- Fees for audit and other services
- Mazars' commitment to independence Materiality and misstatements

In responding to queries from the Committee, Alistair Newall (Mazars) provided an explanation for the timing of the submission of the Plan which the Committee acknowledged. He reported no significant changes to the approach taken over recent

years aside from the reflection of learning from emerging challenges in audit activity in 2020/21 and 2021/22.

Decision

To note the report.

AC/22/60. Work Programme and Decisions 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.

The Committee noted that the following items of business had been added to its future Work Programme:

- Audit and Risk Management in the Local Authority maintained schools' sector
- Housing-wide Improvement Plan (Governance and Compliance principles)

Decision

1. To agree the Committee's Work programme as set out in the report.
2. To add a report on Risk management arrangements in the Local Authority maintained schools and Governance and Compliance principles in the Housing Improvement Plan