

Audit Committee

Minutes of the meeting held on Tuesday, 28 November 2023

Present: Councillor Lanchbury (Chair) – in the Chair

Councillors: Curley, Noor, Kilpatrick, Simcock and Barker

Apologies: Councillor Downs

Also present: Councillor Akbar, Executive Member, Finance and Councillor White, Executive Member, Housing and Development

AC/24/33. Minutes

Decision

The minutes of the meeting held on 19 September 2023 were approved as a correct record.

Annual Audit Report and Completion Letter 2021/22

The Committee received the External Auditor's Annual Report for the Year ended March 31 2022, that provided an overview of the work undertaken by the Council's external auditor (Mazars) as well as the associated Audit Completion Letter

Alastair Newall (Mazars) confirmed that the 2021/22 External Audit had been completed. The annual report contained a summary of the audit findings and a value for money commentary. He confirmed that there were no significant recommendations or significant weaknesses in the Council's Value For Money arrangements in the indicative financial year. He advised that there was nothing to highlight in the Audit Completion letter; some amendments had been made to the accounts that had been submitted to the committee at its September meeting, and some misstatements had not been made on the basis that they were immaterial.

The Committee conveyed its thanks to Mazars and the Council's Finance team for their work in delivering completion of those accounts.

Decision

To note the report and the audit completion letter.

AC/24/35. External Audit Update - Annual Accounts 2022/23

The Committee received an oral report from the External Auditor (Mazars) regarding the progress of the 2022/23 annual accounts. The Committee welcomed Amelia Salford (Mazars) who had taken over as senior audit manager for those accounts. She confirmed that planning work had commenced some weeks prior and that the

audit strategy memorandum would be submitted to the next meeting of the committee.

Decision

To note the update.

AC/24/36. Annual Accounts update

The Committee received the update report from the Deputy Chief Executive and City Treasurer about the completion of the remaining annual accounts. The report stated that the Council's 2021/22 accounts had been finalised and an unqualified Audit Opinion had been issued by the external auditors. The update included a planned timeline for the 2022/23 audit and the 2023/24 accounts consolidation. It made reference to the draft Annual Accounts for 2021/22 having been reported to the Audit Committee on 27 September 2022 and that information concerning amendments to those accounts by the Council's external auditors had been submitted to the previous meeting of the Committee (September 2023) where it was reported that the Audit Opinion would remain unchanged subject to the amendments that had been outlined and which had been subsequently resolved. The Mazars unqualified audit opinion stated that the Council's financial statements:

- gave a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council's and the Group's expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update:

Mindful that all of the material elements had been covered in the previous two items of business, the Deputy Chief Executive and City Treasurer conveyed her thanks to the Council's Finance team and to the wider team at Mazars. Particular reference was given to this being Alastair Newall's last attendance at the Committee. The Deputy Chief Executive and City Treasurer thanked Mr Newall for all of his hard work and support over the past few years and for his and Mazar's proactive collaboration in the shared mission to complete the outstanding audit of accounts in the context of the wider national challenge.

With regard to the 2022/23 update, a number of matters that were outstanding at September 2023 were summarised within the report. The Deputy Chief Executive and City Treasurer added that there was a current lack of clarity about the cut off date for the 2022/23 audit completion and that consequently all involved were proactively seeking to deliver completion within the current financial year.

Decision

The Committee:

1. Noted that the Council's 2021/22 audit is fully complete, and an unqualified audit opinion has been issued.
2. Noted the timeline for 2022/23 audit and 2023/24 consolidation
3. Noted the corrections to the 2022/23 Accounts, as itemised in paragraph 2.2 of the report

AC/24/37. Governance and Management of Complaints 2022/23

The Committee received its annual report from the Assistant Chief Executive and the City Solicitor setting out the Council's annual performance for 2022/23 in the management of corporate and social care complaints, Councillor and MP enquiries, and information requests.

The Assistant Chief Executive reported an increase in the number of complaints in comparison to the previous year. He reported positive progress during 2022/23 to respond to more complaints and enquiries in a timely manner, despite significant increases in the overall numbers of complaints and enquiries that had been received. The timeliness of responses was reported as having markedly improved overall during 2022/23 and whilst some targets still had not been met, overall performance was much closer to the target than in previous years. This was in spite of significant challenges in terms of increased numbers of complaints and capacity. A key factor had been the embedding of the Council's complaints handling system during the year.

The key points for consideration were summarised as:

- An increase in the total number of stage one complaints from 3,157 in 2021/22 to 3,515 in 2022/23. These numbers are significantly higher than previous years. The proportion responded to in 10 days had improved from 77% to 81%.
- The number of Stage 2 complaints (approximately 15%) had remained steady and had reportedly been responded to in a much more timely manner.
- 85 Local Government and Social Care Ombudsman (Ombudsman) enquiries compared to 81 in 2021/22 and much lower numbers in previous years, with a slight reduction in cases upheld. Performance in dealing with the Housing Ombudsman was highlighted as an area for as this is a new area of reporting for the Council.
- An increase in Councillor / MP enquiries from 1,835 to 2,007 overall – noting the work undertaken to improve reporting of cases following discussion at Audit Committee last year – and an improvement in timeliness of response from 76% to 84%.

- A significant reduction in the number of social care cases from 377 to 262, and an improvement in the proportion responded to in 20 days from 59% to 84%.
- Both General Data Protection Regulation (GDPR) and Freedom of Information (FOI) request numbers remained largely steady.
- There had been over 300 instances of praise across the Council

Learning Action Points were also appended to the report in line with a previous recommendation by this Committee.

There was a discussion about the established route for councillor and MP inquiries to ensure that they are not inadvertently underreported. The Complaints Manager referred to recently circulated guidance to members on the correct process. Where an element of dissatisfaction was detected in a given inquiry, as opposed to a routine request for service, there was an expectation that officers would record the matter on the councils complaints handling system to enable appropriate reporting. In response to a request from a member of the committee, the Complaints Manager agreed to explore the extent to which the complaints handling system was able to extract the number of complaints that had been recorded by the service involved.

In response to a comment about the steady rise in complaints in relation to children and education services over the last two years, the Committee was advised that these were predominantly in relation to dissatisfaction with school admissions processes, school access sufficiency, special educational needs and school transport access. Children's social care complaints however had reduced significantly. Discussion then moved to the extent to which complaints were associated with a recent policy change and/or budget restrictions. The Assistant Chief Executive agreed to explore the extent to which this could be reported on in future.

There was a discussion about the trend in Local Government Ombudsman referrals. A step change was described in relation to the growth in the number of cases over the last two years and the Assistant Chief Executive described the process for the management of Ombudsman cases as robust and effective and which ensured effective learning points for the service area involved. In respect of Housing Ombudsman cases (where emphasis was given that this had been reported separately this year). He described a significant pressure that was linked with a government-led campaign to sign post social housing tenants where concerns lay in respect of housing quality. It was therefore anticipated that this trend would likely continue and the Complaints team would continue to work with services to ensure that those Ombudsman cases were appropriately managed. The Committee acknowledged the influence of targeted raising awareness campaigns and the association with long term behaviour change amongst residents. They noted the Assistant Chief Executive's comments around the positive role of residents' feedback on service development and policy change.

The Chair suggested, in terms of possible next steps, that consideration should be given to the involvement of the Members Development Group to underpin guidance

for councillors on the established route for complaints and which includes information on the nuance between service requests, complaints and the role of partners. It was also suggested that a session on this could be targeted to newly appointed Councillors as part of the Member Induction programme.

The Executive Member for Finance thanked officers for the detailed report and highlighted the impact of staffing pressures that had arisen from significantly reduced local government funding since 2010 coupled with the impact of a growing city resulting in additional demand for services. He also referred to ICT infrastructural changes that were soon to be implemented which would promote the use of user-friendly platforms to enable residents with greater ease of access to services.

Decision

To note the report.

AC/24/38. Treasury Management Update

The Committee received the report of the Deputy Chief Executive and City Treasurer which set out Treasury Management activities of the Council during the first six months of 2023/24.

A challenging financial market with increasing interest rates was described. The Council had taken on additional debt during that period to fund the Capital Programme seeking loans of short to medium term length to limit the long-term impact of higher interest rates, in light of market expectations that rates would fall back. A further borrowing requirement was anticipated in the latter half of the year. The borrowing position reflected the Council's strong balance sheet which enabled net interest costs to be minimised and reduced credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The Council's policy remained to keep cash as low as possible and not to borrow in advance of need for capital purposes. However, the report asserted that a strong balance sheet position is not without risk, and with interest rates set to remain at current levels or increase in the future, the timing and structure of future debt financing would be important in sustaining this position. Higher rates would also act as a constraint on future borrowing, and therefore capital financing capacity, would require due consideration as part of the Council's Capital Strategy. Proactive treasury management during the year had sought to minimise borrowing costs for the Council and maximise returns on investment. The Treasury team would therefore continue to evaluate financial markets to look for opportunities and risks within the context of the agreed Treasury Management Strategy.

The Deputy Chief Executive and City Treasurer reiterated the challenging environment the Council was operating within with regard to interest rates and the need to borrow to fund the Capital Programme resulting in borrowing being relatively high in comparison with other Local Authorities. A new section in the report had therefore been included which discussed the role of the newly constituted Office for Local Government (OfLOG) who would be scrutinising levels of borrowing and other council activities as part of their Early Warnings work. She gave assurance that funding for the programme was affordable and that provision had been made

including within the capital financing reserves to ensure that costs would be met. The Capital Strategy itself would be considered by the Resources and Governance Scrutiny Committee as part of the budget process and would contain more detail on this. The cost of carry for any cash balances remained challenging.

The Commercial Finance Lead responded to questions about temporary borrowing arrangements, including financial returns and measures to ensure that the Council was operating within the financing capacity available to it. The Deputy Chief Executive and City Treasurer asked the Committee to note that the Council's ability to borrow for future capital projects was far more constrained than in the past and that the upcoming Capital Strategy report to be considered as part of budget arrangements would restate the principles around where the Council would or would not borrow.

Decision

To note the report.

AC/24/39. Internal Audit Assurance (Quarter 2)

The Committee received the report of The Head of Audit and Risk Management which discussed progress on the agreed audit plan and details of assurances from the Internal Audit Service for Quarter 2 in 2023/24.

The report provided information about:

- Audit Plan Progress and Delivery
- Audit Assurance, Risks and Issues in Housing Services, Commercial and Contracts and Safer Recruitment in schools

Appended to the report was :

- A summary of Audit Work and other sources of assurance in Children and Education Services, Schools, Adults and Public Health, Corporate Services and the Chief Executive's directorate, Growth and Development directorate and Neighbourhood Services
- Executive Summaries of Audit reports for the Our Town Hall project, Foster Care payments, Imprest Accounts, Vendor creation and amendment, and safer recruitment follow up findings for a number of Manchester schools.

The Head of Audit and Risk Management responded to questions about the upcoming recruitment to vacant posts in the Service and the remit of the Audit Service in respect of schools audit activity.

Having duly considered the information the Committee noted the report.

Decision

To note the report.

AC/24/40. Outstanding Audit Recommendations (Quarter 2)

The Committee received the report of The Head of Audit and Risk Management which discussed the implementation position at September 2023 of outstanding high priority audit recommendations in line with Public Sector Internal Audit Standards. The report summarised information about:

- Overdue Audit recommendations over 12 months old; in respect of Avro Hollows Tenants Management Organisation (TMO) and Privacy Notices
- Overdue Audit recommendations 6 – 12 months old; in respect Vendor Creation and amendment, and Social Value monitoring
- Overdue Audit recommendations 1 – 6 months old; in respect of the Adaptations Review, Adult Social Care: Contracts Governance, Contracts Risk Management, Review of Fire Risk Assessment Process (Residential Properties), Adults Care Package Payments

The Head of Audit and Risk Management responded to a comment about the length of time taken to implement some of the longer-standing recommendations and gave emphasis to the positive impact of requiring Directors and Executive Members to committee in particular circumstances to explain the reasons for delay.

A member suggested that a close eye be kept on the upcoming Adaptations reviews, in light of recent comments made by members of the Resources and Governance Scrutiny Committee.

Decision

To note the report.

AC/24/41. Housing Services Update

The Committee considered a report of the Strategic Director Neighbourhoods which provided information about building safety compliance in Housing Services in light of the issue of a Limited Assurance opinion concerning fire safety processes in July 2023.

The Director of Housing Services introduced the report with emphasis that safety remained at the heart of the Council's vision and practise for social housing and, as such, prior to the transfer of former Northwards housing stock (the Arms Length Management Organisation (ALMO) back to the Local Authority, an audit of systems and procedures in connection with fire risk assessment safety had been undertaken. The findings had resulted in the issue of a Limited Assurance opinion and a number of agreed actions which were set out in the report for ease of reference. The majority of those actions had been completed, with just two remaining actions not yet fully implemented. New roles and systems had been implemented. The matter was under review of the Housing Board and the Housing Advisory Body and performance information on building safety compliance had been published on the Council's website

Discussions touched on recent events in Bristol where approximately 400 residents in a Local Authority maintained tower block were decanted from their homes at extremely short notice requiring temporary accommodation due to concerns over building safety. The Director of Housing Services gave assurance that the circumstances surrounding the Bristol decant were markedly different to the issues raised in the assurance opinion. Tried and tested policies and procedures were in place, including the availability of front line staff to support and accommodate residents should safety concerns arise. Furthermore, a review of the Council's approach to building safety in view of recent legislative changes was underway. This would include the approach taken in relation to damp and mould and asbestos exposure and any further areas of improvement that had been identified. He also gave emphasis to a majority of capital programme spending in Housing Services being ring-fenced to building safety and decent homes.

A member of the committee welcomed the progress and sought clarification on the underlying reasons for the delay with the remaining two action points yet to be finalised. A degree of complexity around particular Private Finance Initiative (PFI) housing stock was described as the cause, as well as an assessment of best practice examples from other organisations prior to ratification by the Housing Board. With regard to the access strategy, he advised that further engagement with residents was needed in view of a number of complexities however good progress had been made.

In response to a question about Reinforced Autoclaved Aerated Concrete (RAAC), the Committee noted that full structural surveys had been undertaken of high rise stock which identified no RAAC. A recent detailed desktop exercise undertaken by Strategic Housing had identified a small number (circa 35) of assets (communal and high rise configuration of buildings) requiring further investigation. For residential assets, a further study was underway of approximately 1500 properties with a potential structural element containing RAAC. However initial onset investigations indicated that this was not the case, though further sampling would be undertaken. It was asserted that colleagues were in a strong position to act quickly should any remediation be necessary.

In response to a question about next steps where residents refused access to properties to enable remediation, the Committee was informed that risk based assessments, including vulnerability assessments were undertaken in view of the nature of work being refused. Enforcement, where indicated, of tenancy agreements and other legal routes would also be considered subject to being proportionate, reasonable and compliant with the relevant legislation because of the impact not only to the resident but to neighbouring properties.

The Executive Member for Housing and Development agreed that issues around refusal of access were an important consideration that had been duly considered at that Housing Advisory Board. An education piece had subsequently been implemented to support better engagement with residents to explain the importance of this type of work and the benefits conferred on residents in term of theirs and their neighbours/ health and safety. Due to the time taken to complete such an exercise, the matter would be overseen by the Housing Advisory Committee. The extent to which local ward members could facilitate the process would also be explored.

Decision

To note the report.

AC/24/42. Register of Significant Partnerships

The Committee received a report of the Deputy Chief Executive and City Treasurer which provided an update on the partnerships where a 'Reasonable' or 'Limited' rating was recorded, following the 2022 annual assessment, and presented to the Audit Committee in June 2023.

The report provided:

- An overview of partnership governance arrangements with a Reasonable Strength Rating, namely; Manchester Safeguarding Partnership
- An overview of partnership governance arrangements with a Limited Strength Rating, namely, Greater Manchester Mental Health NHS Foundation Trust (GMMH), AVRO Hollows Tenant Management Organisation (TMO), and SHOUT Tenant Management Organisation (TMO)

In respect of Greater Manchester Mental Health NHS Foundation Trust (GMMH), the Committee was informed that a number of actions were in place with clearly defined timelines for delivery.

In respect of SHOUT Tenant Management Organisation (TMO), the Head of Strategic Housing provided an outline of the number of properties managed by the TMO highlighting that the Council undertakes most of the repairs and maintenance work. In terms of its governance arrangements, a Board had recently been appointed and a meeting to establish how the board was progressing was due in December 2023. He gave assurance that there was less concern about the operation of this particular TMO.

In respect of AVRO Hollows Tenant Management Organisation (TMO), the Head of Strategic Housing outlined the legal basis for TMOs and the modular agreement that is in place nationally in terms of how they operate. The Committee noted that there were concerns about the TMO's retention of staff and board members which could impact on governance arrangements. Additionally, Avro Hollows had elected to employ its own repairs contractor (which it is legally entitled to do) and that those repairs were carried out by a small to medium enterprise, however this was described as a concern in its own right. In terms of assurance, however, a formal assessment of works undertaken on a recently remediated long term empty property (known as a 'void' property) had found no breaches of any fire safety work and no concerns about the quality of work that had been undertaken. In respect of the TMO's responsibility for the management of four tower blocks as part of its housing stock, the Head of Strategic Housing gave assurance that the Council retained responsibility for major health and safety related works such as fire risk assessment, lift maintenance and legionella testing. In view of there being no rights to 'step in' with the regard to the operation of the TMO, next steps were outlined as well as interim arrangements to ensure that the Council was well-sighted on a range of matters as they develop. The

Committee noted the procedural basis that would lead to the cessation of the TMO subject to certain findings.

The Executive Member for Housing and Development thanked officers for their continued support and oversight of the relationship with the TMO and its overall operation.

The Committee resolved to request that an update on progress of the TMO is submitted to the Committee in approximately 6 months and asked officers to give consideration to a communications outreach to tenants around what actions the Council was planning to undertake and the reasons why.

Decision

To note the report.

AC/24/43. Work Programme

The Committee considered a report of the Governance and Scrutiny Support Unit which set out its future Work Programme for the remainder of 2023/24 municipal year.

Decision

To note the report and approve the work programme.

AC/24/44. Exclusion of the Public

The Committee considered a report of the Governance and Scrutiny Support Unit which set out its future Work Programme for the remainder of 2023/24 municipal year.

Decision

To note the report and approve the work programme.

AC/24/45. Annual Counter Fraud (Part B)

The Committee received a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management which provided a summary of the anti-fraud arrangements and investigation work undertaken during 2022/23, with a particular focus on the work delivered by Internal Audit.

The report provided information on:

- Internal Control Arrangements
- Structure and Roles, including the role of Internal Audit and the Council's broader approach
- A summary of financial outcomes
- An outline of proactive Anti-Fraud Work

- Training and awareness
- An overview of reactive caseloads,
- Other areas of Focus
- Key Proactive Work and Plans 2023/24
- A summary of Successful Sanctions and Prosecutions was also appended to the report

The Head of Audit and Risk management responded to questions and comments arising from the report.

Decision

To note the report.