

## **Audit Committee**

### **Minutes of the meeting held on Tuesday, 23 July 2024**

#### **Present:**

Councillor Simcock  
Councillors Curley, Kilpatrick, Ogunbambo  
Independent Co-opted members: Dr D Barker and Dr S Downs

#### **Apologies:**

Councillor Akbar, Executive Member for Finance and Resources

#### **Also Present:**

Suresh Patel, Engagement Partner, Forvis Mazars  
Amelia Salford, Senior Manager, Forvis Mazars

#### **AC/24/16. Minutes**

##### **Decision**

The minutes of the meeting held on 23 April 2024 were approved as a correct record.

#### **AC/24/17. Forvis Mazars Audit Completion Report 2022/23**

The Committee considered the report of the External Auditors, Forvis Mazars which described their audit progress report on the Council's statement of accounts for the year ending 31 March 2023. The report summarised the progress of the audit to date, challenges encountered and provided an early indication of matters that are likely to be reported during completion of the audit.

Section 1 of the report detailed the progress of the financial audit work to date since this was presented in the Audit Completion Report to the committee in April 2024, this section also detailed the misstatements identified to date. The report further confirmed that there were no changes to the audit approach and there had been no new audit risks identified. Also provided was an update on the audit fees for 2021/22 and 2022/23.

The Committee noted that the Annual Audit Report and Completion Letter would be submitted to the September 2024 meeting.

##### **Decision**

To note the report.

#### **AC/24/18. Final Statement of Accounts 2022/23**

The Committee considered the report of the City Treasurer that provided the updated 2022/23 accounts and explained the key audit adjustments since the previous update to the Committee at the meeting of 23 April 2024.

The 2022/23 draft accounts were presented to this committee on 25 July 2023 and published for public inspection on 14 August 2023. At the April 2024 meeting of this committee, an update was provided outlining the audit adjustments agreed and reflected as part of the audit process. At that point, the audit was substantially complete subject to a number of outstanding matters, as outlined in the audit completion report, also presented to the committee.

The most significant issue related to the consolidation of the Manchester Airport Group accounts into the Councils group accounts, which was an extremely technical part of the account's preparation process and unique to a small number of Councils. This report summarised the final position following this review. Further details could also be found in the External Auditor's report elsewhere on this agenda.

Subject to the satisfactory conclusion of the outstanding work, an unqualified opinion on the single entity and group accounts was expected to be issued.

Appended to the report were the Final Annual Accounts 2022/23. This was expected to be the final position for 2022/23. The external auditors were yet to conclude their review of the changes to the group approach and their final review of the full accounts document. It was recommended that any final, non-material changes were delegated to the City Treasurer for approval in consultation with the Chair of the Audit Committee. The auditor's annual report would then be brought to the September 2023 meeting of this committee.

## **Decision**

The Committee agreed to:

1. Note the amendments made to the annual accounts since the last update reported to the committee in April 2024.
2. Approve the revised annual accounts including the accounting policies contained within them. Delegate authority to the City Treasurer and Chair of Audit Committee to approve any final nonmaterial changes.
3. Agree not to amend the annual accounts in relation to PFI Lifecycle and adjust 2023/4 accounts to take account of cumulative lifecycle costs.

## **AC/24/19. Draft Statement of Accounts for 2023/24**

The Committee considered the report of the City Treasurer that provided Members with the draft Statement of Accounts for the 2023/24 financial year, which were presented for audit by the Council's appointed external auditors Forvis Mazars. The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting

practices. These accounts will be published by the 31 July 2024 following the meeting of the Audit Committee and a final quality assurance review of the extensive document.

### **Decision**

To note the unaudited 2023/24 Annual Accounts including the narrative report, signed by the City Treasurer.

### **AC/24/20. Treasury Management Outturn 2023/24**

The Committee considered the report of the City Treasurer that described Treasury Management activities of the Council during the financial year 2023-24. The report provided:

- An introduction and Background;
- The Portfolio Position as at 31st March 2024;
- A Review of Economic Conditions 2023-24;
- Treasury Borrowing in 2023-24;
- Compliance with Prudential Indicators and Treasury Limits;
- Investment Strategy for 2023-24;
- Temporary Borrowing and Investment for 2023-24;
- Implications of Rising Interest Rates; and
- Conclusion.

In response to a discussion relating to interest rates, the Commercial Finance Lead said that the assumption was that interest rates would fall, however the question remained as to when this would occur and how many times a year. He said this was a complex area and subject to many economic factors, both nationally and globally. He informed the Committee that Capital Budgets and Treasury Budgets were managed under the same Team, and the current strategy would fund the current programme of capital schemes. He said that all alternatives to income generation were considered to reduce the need for borrowing in future years for future schemes.

The Commercial Finance Lead addressed the emerging risk regarding lender option borrower option (LOBO) loans that the Council held, noting that this has not occurred to date. He explained that should any options be exercised by any of the lenders, the decision to agree to a revised rate or repay would be based on achieving value for money over the long term.

### **Decision**

To note the report.

### **AC/24/21. Internal Audit Update - Quarter 1 2024/25**

The Committee considered the report of the Assistant Director (Assurance & Risk) that provided an update of progress on the agreed audit plan and details of

assurances from the Internal Audit Service for quarter one 2024/25 to the end of June 2024 and confirmed progress in the delivery of the annual audit plan; and key assurances, risks and issues arising from audit work, assessment of other sources of assurance and actions taken to address internal audit recommendations.

In response to a discussion in relation to schools financial health checks and Schools Financial Value Standards, the Assistant Director (Assurance & Risk) confirmed that established process was for schools to undertake their own self assessments against a range of criteria with oversight from the Department for Education. Whilst the Local Authority was able to provide some challenge, its role was not to audit those individual assessments, and instead be sighted on the wider process itself. An explanation was given for the reasonable assurance rating which was in part due to the timeliness of those returns and issues in connection with related party transactions. Further updates and assurance from those audits would be shared with the relevant Executive Member and this Committee as part of agreed assurance reporting arrangements. The Committee discussed the need to share good practice amongst schools in relation to financial governance arrangements to which the Assistant Director (Assurance & Risk) confirmed that guidance is provided to schools, regardless of their structure and relation to the Local Authority. In response to a discussion that arose regarding the importance of having Local Authority representatives on School Boards, he advised that records of Board membership would be maintained. He also addressed comments raised in relation to cyber security by suggesting that a detailed confidential report could be submitted to the Committee for consideration at an appropriate time.

### **Decision**

1. To note the report.
3. To note that a report on Schools Financial Health checks will be submitted to this Committee at an appropriate time.
4. To agree that a confidential report on cyber security resilience will be added to the Committee's Work Programme for consideration at an appropriate time.

### **AC/24/22. Outstanding Audit Recommendations - Q1 2024/25**

The Committee considered the report of the Assistant Director (Assurance & Risk) that described that in accordance with Public Sector Internal Audit Standards, the Assistant Director (Assurance & Risk) must "establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action". For Manchester City Council this system included reporting to directors and their management teams, Strategic Management Team, Executive Members and Audit Committee.

This report summarised the implementation position at the end of June 2024. This report also included an update on progress made by school to address recommendations from school audit reports.

In its discussion about recommendations that are over 12 months overdue, the Committee acknowledged the importance of inviting the relevant Service Directors and associated Executive Members to this committee to provide Members with additional context for the reasons for the delay, and to highlight current challenges to implementation where indicated. The Committee noted comments made by the Assistant Director (Assurance & Risk) regarding significant work that was ongoing in respect of Avro Hollows Tenant Management Organisation (AHTMO) and was mindful that that particular matter would be considered later on this agenda under the item for the Register of Significant Partnerships Annual Review.

A member noted that two recommendations in respect of Adults Social Care Package payments had very recently met the threshold of being 12 months overdue. The Assistant Director (Assurance & Risk) referred to positive progress on both matters as well as a recommendation in respect of Adult Social Care Contract Governance with emphasis given to significant work that had been undertaken in response to those recommendations although some additional work was necessary in the context of being incorporated into wider pieces of work. As part of this discussion, reference was also made to more recent positive progress in respect of the recommendation on Social Value Monitoring and a suggestion was made that consideration be given to inviting the Director of Planning Licensing and Building Control to provide updates on Fire Risk Assessment Processes and unauthorised building work. It was suggested that the timing of those updates should be agreed in consultation with the Chair.

## Decision

- 1 To note the report.
- 2 To agree that the Director of Adult Social Services and the Executive Member for Healthy Manchester and Adult Social Care attends the September 2024 meeting of this Committee to provide an update on recommendations relating to Adult Social Care Package payments and Adult Social Care Contract Governance.

## **AC/24/23. Register of Significant Partnerships - Annual Assurance Review 2023**

The Committee considered the report of the City Treasurer that provided an overview and outcome of the assurance process which had taken place as part of the annual review of the Register of Significant Partnerships(RSP) for 2023.

The purpose of the RSP annual review was to assess whether the partnership arrangements that the Council is a party to were performing well, delivering value for money, have strong and effective governance structures, effectively mitigating risk and realising the benefits that they were established to achieve.

The detail contained in the report focused on a number of key areas:

- Any new partnerships which have been added to the register;
- Entries recommended to be removed;
- Any partnerships where the assurance rating has increased to 'Substantial' since the last review; and
- Any partnerships now classed as 'Reasonable' or 'Limited' strength following completion of the latest self-assessment.

All partnerships not currently rated as 'Substantial' assurance would be subject to a six-month reassessment. This would take place in September 2024. The outcome of the six-month review would be reported to Audit Committee in November 2024.

The Chair invited the Executive Director of Adult Social Services to address the Committee in relation to Greater Manchester Mental Health Trust (GMMH). She advised that NHS England had commissioned an Independent Review of mental health services provided by GMMHT. The Review was chaired by Professor Oliver Shanley and the findings of this review and subsequent Improvement Plan had been reported to the Health Scrutiny Committee at their meeting of 26 June 2024. The new Chief Executive had attended that meeting and addressed questions raised by Members. She added that additional resources had been deployed to support the Trust and stated that staff recruitment and retention, in addition to an increasing demand on services continued to present a challenge to the Trust and on that basis agreed that it was appropriate that the limited assurance rating remained in place whilst the model was being strengthened and improvements were being driven. She gave assurance that herself and the Executive Member for Healthy Manchester and Adult Social Care remained fully briefed on the situation at GMMH.

The Assistant Director (Assurance & Risk) addressed the issues raised by Committee Members in relation to the AVRO Hollows Tenant Management Organisation (AHTMO). He explained that the Assistant Director (Strategic Housing) could not attend the meeting due to an annual leave commitment and had therefore submitted his apologies for this meeting. He provided an historical context to the organisation and described the challenges that surrounded this. He said that a Special Review of the AHTMO has been undertaken by an Independent Reviewer who had made a total of 77 recommendations for the TMO and the Council. The TMO had received the report, and a meeting was recently held with the Board to discuss the Improvement Plan. He stated that the Council had a duty to offer support and guidance to the TMO in recognition that they are residents and volunteers and outlined the challenges and expectations this presented in terms of collaboration, adding that both he and the Assistant Director of Housing met with the Board monthly with a view to progressing the required improvements in the required timeframes. He gave assurance that the Council retained the responsibility for the physical assets (i.e. the buildings, including the fire risk assessment and any remedial work of the external cladding). However greater clarity and assurance was needed around fire management processes. He added that the Board were subject to an annual ballot of the residents, and any tenant could put themselves forward to sit on the Board at the Annual General Meeting. Whilst a ballot had taken place relatively recently, concerns remained regarding the Board's understanding of their legal duties and associated aspects of governance arrangements. He said that ultimately there was a legal route that the Council could instigate to bring management back into Council

control. He also confirmed that local ward Councillors were informed of relevant discussions in relation to these properties, referring to improvements to rendering and the significant capital investment that had been delivered to improve the properties.

The Committee was mindful of the length of time its recommendations had remained outstanding on this matter and held the view that no meaningful progress had been made since it was last considered. Questions were asked about the extent to which the Board was representative of its residents and its capability to respond to incoming legislative requirements for social housing entities resulting in increased demands to uphold governance arrangements. Emphasis was given to the Council remaining ultimately responsible in the eyes of the regulator for housing standards for its residents meaning that a strong level of assurance was crucial to its success.

The Chair recommended that a report on GMMHT and AVRO Hollows Tenant Management Organisation be submitted to the November meeting of Audit Committee. The Committee agreed to this.

In response to a question raised by the Chair in relation to the National Football Museum and repairs, the Head of Commercial Governance, Assurance and Initiatives stated that the report referred to the organisational effectiveness of entities that formed part of the Register of Significant Partnerships and that the issue of maintenance did not form part of this reporting, however appropriate enquires would be made around maintenance arrangements.

In relation to Victoria North (Northern Gateway Operations) established issues were referred to relation to the internal governance structure of FEC (Far East Consortium). The Housing Investment Manager, Major Regeneration acknowledged the reported historical issues and the steps taken to address these. He said that it was envisaged that once the action plan had been implemented, the entry would return to an 'substantial' assurance rating on the Register. He gave assurance that a number of documents and reports had been provided to the Internal Audit Team which showed that the actions were already underway, and that progress was being made in a number of areas, adding that FEC had also confirmed their support in implementing the action plan. In view of its remit, it was noted that an update on those matters would be reported to a meeting of the Resources and Governance Scrutiny Committee at an appropriate time.

## **Decision**

4. To note the report.
5. To agree that a further update on matters pertaining to the Greater Manchester Mental Health Trust shall be submitted to the November 2024 meeting of Audit Committee, with an invitation extended to the relevant Service Director and Executive Member.
6. To agree that a further update on matters pertaining to the AVRO Hollows Tenant Management Organisation shall be submitted to the November 2024

meeting of Audit Committee with an invitation extended to the relevant Service Director and Executive Member.

[Dr Downs declared a personal interest in this item of business as his partner is an employee of Greater Manchester Mental Health Trust]

#### **AC/24/24. 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 2024/25 municipal year.

The Chair advised that the report on the Corporate Risk Register would be considered at the September 2024 meeting.

#### **Decision**

To note the report and approve the work programme, subject to the amendments made in the previous agenda items.