

## **Audit Committee**

### **Minutes of the meeting held on Tuesday, 15 October 2019**

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

**Councillors:** Clay, Lanchbury, Russell, Stanton and Watson

**Apologies:** Councillor

**Also present:** Councillors: Barker, Downs, Craig, Ollerhead and Stogia

#### **AC/19/40. Minutes**

##### **Decision**

To approve the minutes of the meeting held on 30 July 2019 as a correct record.

#### **AC/19/41. External Audit Progress Report and Update**

The Committee considered a report of Mazars, which provided an update on progress in delivering their responsibilities as the Council's external auditor. The report also highlighted key emerging national issues and developments which may be of interest to Members of the Committee.

It was reported that since the last meeting they had completed work on the Council's Whole of Government Accounts (WGA) return as required by the National Audit Office and had issued their unqualified conclusion on the Council's WGA submission on 20 September 2019. This had enabled Mazars to issue their Audit Completion Certificate for 2018/19 on that date.

The Chair invited questions from the Committee.

A Member queried the net expenditure figure for the WGA. It was explained that the net expenditure figure was the difference between public sector income and expenditure with financing costs taken into account.

A Member welcomed the fact that the submission of the Council's accounts had been made on time and sought assurance that this would be repeated for 2019/20. It was reported that Mazars had already begun to have discussion with the Council in relation to this to identify areas of work that could commence earlier in order to ensure next years account were also submitted on time.

##### **Decisions**

- (1) The Committee notes the report; and
- (2) Thanks all Officers who had been involved in the submission of the Council's accounts.

### **AC/19/42. External Auditor Annual Audit Letter**

The Committee considered the Annual Audit Letter of Mazars, the Council's external Auditors, which summarised the work they had undertaken as the auditor for Manchester City Council for the year ended 31 March 2019.

The purpose of the audit was to provide reasonable assurance to users that the financial statements were free from material error. This was conducted in accordance with the requirements of the Code of Audit Practice issued by the National Audit Office. The report, issued to the Council on 31 July 2019, stated that, in the view of Mazars, the financial statements gave a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

### **Decision**

The Committee notes the Annual Audit Letter.

### **AC/19/43. Risk Review Item - Adults Improvement Plan and Assurance Update**

The Committee considered a report of the Executive Director Adult Social Services, which sought to provide an assurance update on progress made in responding to issues arising from Internal Audit reports of Adults Social Care and the planned actions to address areas of risk.

Many of the planned actions agreed in response to audit work were being delivered through the Adults Social Care Improvement Programme. This Programme incorporated findings and areas for improvement identified through audit work as well as a range of other sources including management review, partner engagement and staff feedback. This included the following areas:-

- Transition to Adult Services;
- Homecare Contracts
- Disability Supported Accommodation Services Quality Assurance (QA)
- Management Oversight and Supervisions
- Deprivation of Liberty Safeguarding (DoLS); and
- Mental Health Casework Compliance.

The Programme was focused on ensuring the basics were in place for adult social care to deliver high quality services for Manchester residents and to successfully deliver health and social care reform and integration. The programme plan for this work had been developed based on the outcomes of diagnostic work and the internal audits completed. The programme included workstreams on:-

- Assessment function;
- Safeguarding and Quality Assurance functions;
- Provider services;
- Workforce skill and capacity;
- Adult social care commissioning; and
- Front Door offer.

The Programme was governed by the Adult Social Care Improvement Board, chaired by the Executive Director of Adult Social Services and comprised of senior officers from the service and MLCO with support from the corporate core. The Board reported to the MLCO Executive through the Executive Director of Adult Social Services, and provided assurance to the Council's Strategic Management Team and the MHCC Executive on a quarterly basis.

The report went on to detail the progress to date of a number of key priorities.

The Chair invited questions from the Committee.

A Member commented that it was not clear what recommendations identified by Internal Audit were still outstanding and when and how these would be resolved. In response, the Executive Director Adult Social Services assured the Committee that the Improvement Programme would address all outstanding recommendations and that this would be monitored by both the Council's Senior Management Team and the MLCO Executive. The Deputy Chief Executive and City Treasurer also commented that an update report on the outstanding recommendations was due to come before the Committee in November.

The Committee queried whether the new Liquid Logic software provided a method for monitoring supervisions and also whether the consultation with staff on the proposal of weekend working to increase the impact of the reablement service was genuine.

It was reported that the Executive Director Adult Social Services had reviewed the Supervisions Policy and how it fitted with other Council policies and following the appointment of 12 Neighbourhood Team managers, these supervisions were now being undertaken. It was also reported that the consultation with staff on improvements to the reablement service were genuine and work was ongoing with staff and Trade Unions to identify suitable solutions.

A Member commented on the overuse of acronyms within the report; questioned whether the additional number of posts that were being created could be financed from the £4.225million that was being invested into the service to support delivery of the improvement programme; sought clarification as to how the Quality Assurance approach was being embedded, and with reference to Mental Health Casework Compliance, queried how the Council was able to have internal audit of systems that it did not own or manage.

The Executive Director Adult Social Services noted the point made around the overuse of acronyms, acknowledging that the report was complex and that this would be looked at in future reports. It was explained that the total number of posts being created would be funded from a number of funding streams in addition to the £4.225million that the Council had invested. In terms of quality assurance, it was explained that there had been a reduction in the number of staff each manager had responsibility for to ensure that this was being embedded within teams and in terms of Mental Health Casework Compliance, it was explained that whilst the Council did not directly employ Mental Health Supervisors, it did have a statutory duty to deliver a Mental Health service and worked closely with Greater Manchester Mental Health

Foundation Trust (GMMHFT) who delivered this on behalf of the Council. From a Council perspective, any recommendations for improvement to this service that Internal Audit identified would be directed to the Executive Director Adult Social Services who would then engage with GMMHFT.

The Executive Member for Adult Health and Wellbeing commented that she strongly believed the role of Audit was to reassure the Council that all aspects of work and service delivery were being delivered effectively and efficiently and acknowledged that the governance of the integration of health services with the Council was complex.

In relation to a query on recruitment to the Disability Supported Accommodation Service, it was explained that new support co-ordinators had been recruited.

The Executive Director Adult Social Services advised that BiA's stood for Best Interest Assessors in terms of Safeguarding and DoLS and that in relation to recruitment to safeguarding positions 13 BiA's had been recruited.

It was commented that a progress table of the outstanding recommendations should be included in the report that was due to come before the Committee in November as well as some form of assurance mapping.

The view of the Council's External Auditors was sought and it was noted that the External Auditors role was to consider the governance arrangements of the Council and they had an assurance of the overall arrangements.

## **Decision**

The Committee note the actions being taken through the Adults Social Care Improvement Programme.

### **AC/19/44. Risk Review Item - Manchester Salford Inner Relief Route Lessons Learned**

The Committee considered a report of the Director of Highways and Head of Audit and Risk Management, which summarised the key events surrounding the financial failure and subsequent administration of the principal contractor (Dawnus) on the Manchester Salford Inner Relief Route (MSIRR) highways programme and associated lessons learned.

The report highlighted the timeline of events from when the framework agreement for major highways works was let in October 2017, the award of contract to the principal contractor in June 2018 and works commencing in August 2018 to the 12 March 2019, when Highways Service were contacted by TfGM to advise that subcontractor plant vehicles were blocking traffic work on the scheme and the principal contractor had failed to attend a planned site meeting.

The report provided detail of the subsequent steps taken by the Council and TfGM, which included the formation of an Incident Management Team (IMT) to gain an

understanding of the position of the principal contractor, key risks and issues, current planned actions and further planned actions. Subsequently, a range of options to secure a new contractor were developed and appraised through the IMT, with agreement on three phases to restart the works. Following confirmation on 18 March 2019 that the principal contractor had entered into administration, the formal process of procurement started, with the contract awarded to John Sisk and Son, as the new principal contractor for the completion of works

The Committee was then appraised of the lessons learned from the incident, the current programme status in terms of progress, costs and funding and finally, the proposed actions that had been identified.

The Chair invited questions from the Committee.

It was acknowledged that without the swift action of the Council and TfGM, it would not have been possible to rescue the contract and the Committee placed on record its thanks to all those that had been involved.

Concern was raised in relation to the ability for sub-contractors to report any issues of concern they had around payment with the principal contractor and it was suggested that there should be a mechanism for these concerns to be raised directly with the Council.

The Committee queried that given that a known cause of delay to the scheme had resulted from the need for re-working aspect of the scheme that had been assessed as being of sub-standard quality, whether the original value of the contract was not sufficient or was the principal contractor providing substandard work. The Director of Highways responded, advising that there had been no evidence to suggest the principal contractor were delivering poor quality work, but what did become evident was that the completion of works slowed down. He also added that the principal contractor was paid by the Council in accordance with works completed and it was their responsibility to ensure payment was made to any sub-contractors. It was reported that nothing had ever been raised directly with the Council on the issue of non payments, but this would be a lesson learned for the future in regards to the whistleblowing policy

In relation to a question on the identified changes in company funding of the principal contractor, which had been identified on further accountant examination following the incident, the Head of Audit and Risk Management advised that the credit check report that was undertaken prior to the contract being awarded had identified the principal contractor as low risk and at the time there was nothing to make the Council concerned around their financial stability.

In re-awarding the contract, the Committee queried why it had been agreed that the contract for the completion of works should be let in accordance with NEC Option E, as payments were on cost reimbursement plus overheads and profit which transferred a greater level of financial risk to the Council. The Deputy Chief Executive and City Treasurer explained that although this was not a preferred form of contract that the Council would normally enter, and had only been used in this occasion given the very specific and particular events that occurred on MSIRR and

the intolerable risk of further, significant details on the programme following the unexpected collapse of original principal contractor.

It was suggested that in awarding any future contracts, consideration should be given to locally based contractors and that the ability for sub-contractors to report concerns directly to the Council should be built in to future contracts, should they not feel able to raise concerns with the principal contractor.

## **Decision**

The Committee note the lessons learned from the MSIRR programme

### **AC/19/45. Annual Complaints Report**

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the City Solicitor which presented the complaints and enquiries dashboard for the Council's annual performance for 2018/19 relating to corporate and social care complaints, Councillor and MP enquiries. The report also provided information of how the complaints and enquiries received had been used to influence service related improvements. The Director of Policy Performance and Reform introduced the report.

The Chair invited questions from the Committee.

Reassurance was sought that where praise was received for staff, this was passed on to the member of staff in question. It was also asked how much forward planning did the Council undertake in identifying areas of work that would possibly result in complaints being received.

The Feedback and Complaints Manager advised that all directorates received quarterly report on praise received for staff, which was circulated to all Managers for ensuring that this was then passed on to the appropriate members of staff. In terms of forward planning it was explained that the Complaints Team worked with all Directorates to identify areas of work that could potentially be problematic and result in a spike in complaints to try and communicate with residents in advance.

## **Decision**

The Committee notes the report.

### **AC/19/46. Work Programme and Audit Committee Recommendations Monitor**

The report of the Governance and Scrutiny Support Unit which contained responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

It was commented that a number of previous recommendations made by the Committee in late 2018 and early 2019 still required responses.

In relation to the recommendation that the minutes of the Manchester Local Care Organisation Audit Committee be submitted to this Committee for information, the Head of Audit and Risk Management commented that the MLCO did not have its own Audit Committee and it was actually Manchester Health Foundation Trust (MHFT) that had an Audit Committee. He advised that a conversation would need to be had with colleagues at MHFT as to what could be provided to this Committee.

The Deputy Chief Executive and City Treasurer agreed to arrange response to the outstanding recommendations in advance of the next meeting.

### **Decision**

The Committee:-

- (1) Notes the Work Programme; and
- (2) Notes that the Deputy Chief Executive and City Treasurer will arrange responses to the outstanding recommendations in advance of the next meeting.

### **AC/19/47. Exclusion of Press and Public**

#### **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 outweighs the public interest in disclosing the information

### **AC/19/48. Annual Counter Fraud Report - PART B**

The Committee considered a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management, which provided a summary the outcome of reactive and proactive work undertaken during 2018/19 to investigate referrals of fraud and other irregularities.

The report set out the context for fraud risks in the Council and the response to these risks. It provided a summary of the work delivered by Internal Audit along with other teams across the Council during the year, resolution of issues and areas identified for further development during 2019/20.

The Head of Audit and Risk Management referred to the main points and themes within the report and responded to questions from the Committee.

### **Decision**

The Committee notes the report