



## **Audit Committee**

Date: Tuesday, 15 October 2019

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension,  
Manchester

Everyone is welcome to attend this committee meeting.

**There will be a private meeting for Members only at 9.30am in Committee Room 6 (Room 2006), 2nd Floor of Town Hall Extension. A Town Hall pass is needed to reach this room.**

### **Access to the Council Antechamber**

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

### **Filming and broadcast of the meeting**

Meetings of the Audit Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

## **Membership of the Audit Committee**

---

**Councillors** - Ahmed Ali (Chair), Clay, Lanchbury, Russell, Stanton and Watson

**Independent Co-opted Members** – Dr S Downs and Dr D Barker

## Agenda

---

- 1. Urgent Business**  
To consider any items which the Chair has agreed to have submitted as urgent.
- 2. Appeals**  
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.
- 3. Interests**  
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.
- 4. Minutes** 5 - 10  
To approve as a correct record the minutes of the meeting held on 30 July 2019.
- 5. External Audit Progress Report and Update** 11 - 22  
The Audit Progress report of the Council's External Auditor (Mazars) is enclosed.
- 6. External Auditor Annual Audit Letter** 23 - 40  
The Annual Audit letter from the Council's External Auditor (Mazars) is enclosed.
- 7. Risk Review Item - Adults Improvement Plan and Assurance Update**  
The report is to follow.
- 8. Risk Review Item - Manchester Salford Inner Relief Route Lessons Learned**  
The report is to follow.
- 9. Annual Complaints Report**  
The report is to follow.
- 10. Work Programme and Audit Committee Recommendations Monitor** 41 - 50
- 11. Exclusion of Press and Public**

The officers consider that the following item contains confidential information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Audit Committee is recommended to agree the necessary resolution to exclude the public from the meeting during consideration of the item.

**12. Annual Counter Fraud Report**

The report is to follow.

## Information about the Committee

---

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website [www.manchester.gov.uk](http://www.manchester.gov.uk).

Smoking is not allowed in Council buildings.

Joanne Roney OBE  
Chief Executive  
Level 3, Town Hall Extension,  
Albert Square,  
Manchester, M60 2LA

## Further Information

---

For help, advice and information about this meeting please contact the Committee Officer:

Andrew Woods  
Tel: 0161 234 3011  
Email: [andrew.woods@manchester.gov.uk](mailto:andrew.woods@manchester.gov.uk)

This agenda was issued on **Monday, 7 October 2019** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

## **Audit Committee**

### **Minutes of the meeting held on 30 July 2019**

#### **Present:**

Councillor Ahmed Ali - In the Chair

Councillors Clay, Lanchbury, Russell, Stanton and Watson  
Dr D Barker (Co-opted member)  
Dr S Downs (Co-opted member)

#### **Also Present:**

Councillor Ollerhead – Executive Member Finance and Human Resources  
Karen Murray, Mazars (external auditor)  
Stephen Nixon, Mazars (external auditor)

### **AC/19/33 Minutes**

#### **Decision**

To approve the minutes of the meeting held on 11 June 2019 as a correct record.

### **AC/19/35 Annual Statement of Accounts**

Members considered the report of the Deputy Chief Executive and City Treasurer which sought Members approval of the revised accounts containing the amendments detailed in the report and to seek approval and acknowledgement of the letter of representation. These accounts were updated from those reported to the June Committee and took account of any changes that have arisen since that time including the findings of external audit.

The Committee received a paper containing revised changes to the Group Accounts. The changes would be subject to consideration by the external auditors before the opinion on the annual account was released.

The Deputy Chief Executive and City Treasurer made a statement to the Committee regarding the annual accounts. The Committee was informed that nationally there have been some changes to how local authority external audits have been completed, this has included:

- The accelerated timescale for completing the audited accounts deadline set for 31 July.
- The Financial Reporting Council requirement for external audit firms to focus on areas where there are judgements and estimates, e.g. asset valuations and the additional assurance being sought in this area.
- The 'McCloud judgement', which led to all local authorities having to get their accounting position for the pension fund (IAS19) recalculated at additional cost to

take into account a potential additional liability relating to an age discrimination issue on the transitional arrangements in the judges and fire service pension scheme. The LGPS is outside of this ruling but may be impacted in the future so an estimate of the additional liability was required. This has resulted in additional work. With reference to the Council's accounts, this was not material and the accounts have not been adjusted.

Reference was made to a reduced capacity within external audit firms following the recent tender exercise and associated reduced fee. This reduction has impacted on a lot of local authorities and has been reported nationally.

Locally this had translated into:

- Changes to IAS19 (reporting on employee benefits) - these are not material and no adjustment has to be made.
- The Council's external auditors have had to significantly increase the sample size for valuations. This was notified later on in the audit and the work to review these has not been fully completed prior to the latest revised accounts being issued. In view of this, however, it is not believed there are any material issues outstanding, but this is subject to confirmation by the external auditors.
- With regard to the Group Accounts - there is also an issue with the land valuations carried out in respect of the airport assets. This does not impact on the council's or the airports bottom line position, although some adjustments were required and included a restatement of prior year figures. A further adjustment was made, after the revised accounts were issued and confirmation is required.

The Committee were informed that there has been a great deal of pressure on the Finance Team to complete the outstanding work in time for the Council to meet the deadline and thanks were given to the Council Finance Team and the External Auditors for their hard work and dedication.

The Chair invited questions from the Committee.

Members requested further explanation on:

- Pension liability (£21.1 million) to the Council.
- Accounting for valuations of Airport and Convention Centre land

Officers reported that the £21.1 million pension liability is a non-material and notional figure used for accounting purposes and is an estimate of potential future liability based on employer contribution to the pension funding scheme. The figure has not impact on the actual position of the pension fund or council accounts.

With reference to Airport and Convention Centre land it was reported that the figures presented in the Airport accounts for land and buildings is subject to an external valuation process to provide a notional 'far value' and bring the airport accounting process in line with the Council's as required by the Local Authority Accounting Code. This process had resulted in a change to the figure presented. The Council owns the freehold on the airport and convention centre land and accounts for this.

The other items owned by the Airport and the Convention Centre are included within the Group Accounts.

Members thanked the Finance Team and the External Auditors for their hard work in the completion of the Council's annual accounts in view of the challenging deadline for their approval and publication.

The External Auditors informed the Committee that it was anticipated that there would be no further material issues to be considered and an opinion would be released, however it was necessary to complete the checks relating to the Group Account amendments. In addition, there were three issues outstanding relating to land and buildings valuations which were nearing completion.

### **Decisions**

1. To note the amendments made to the annual accounts since they were reported to the Audit Committee in June.
2. Approve the revised annual accounts including the accounting policies contained within them.
3. Agree to not amend the pensions figures included in the accounts following the receipt of a revised IAS19 report as detailed in paragraph 17. This is below the materiality level.
4. Approve and acknowledge the letter of representation in Appendix 1, which will be signed by the Deputy Chief Executive and City Treasurer and the Chair of the Meeting.
5. To note the submission of the Group Account Amendments as at 30 July 2019 and that the amendments are subject to checking by the Council's external auditor.
6. To note that in the event of any material changes being identified from the external auditors outstanding work, it may be necessary to arrange a meeting of the committee to agree changes to the annual accounts.
7. To thank officers of the Finance Team and the External Auditors for their work in the preparation and audit of the Council's Annual Accounts.

### **AC/19/34 Audit Findings**

Members considered the report of External Auditor that set out the findings of the audit of Manchester City Council for the year ending 31 March 2019.

The external auditors thanked officers for their support during the production of the annual accounts. The committee was informed that the submission of Group Account Amendments would be checked before the release of an opinion on the annual

accounts. It was reported that an unqualified conclusion would be released in respect of the Value for Money Conclusion.

The Chair invited questions from the Committee.

Members referred to Internal Control Recommendations within the report in particular:

1. the recommendation requiring Members and senior officers making an annual declaration of their interests; and
2. tighter control of the high number of privileged access rights to critical systems and data.
3. The setting of the Council's level of materiality set.

The external auditor explained that the recommendation regarding the declaration of interests is considered good practice for those parties within the council involved with decision making and the bodies they are involved with that may be in receipt of council funding. In making the recommendation for a tighter control of privileged access to critical information it had been noted that the Council is a large organisation and reducing the 112 active users would be difficult. The committee was informed that the level of materiality had been set by the external auditor between at a level of 1%-2% and the council's level has been set at 1.75%.

A member asked that in view of the new process that has been introduced, what actions would be taken to amend the current accounting process and timescales for next year to avoid the issues that have been encountered this year.

The City Treasurer reported that a lessons learned process will take place to identify the issues and learning required to anticipate and plan for possible changes such as the recent McLeod ruling.

The external auditor reported that there would be a process of evaluation in order to plan for the next year, although not everything is foreseeable. Also, it was acknowledged that as the council's new external auditor there was learning process involved in understanding the council.

## **Decisions**

1. To note the report.
2. To refer the internal recommendation regarding the declaration of interests by elected members and senior officers for consideration to the Standards Committee in respect of members and Personnel Committee in respect of senior officers.

## **AC/19/36 Internal Audit Assurance 2019/20**

Members considered the report of the Deputy Chief Executive and City Treasurer and Head of Internal Audit and Risk Management which provided the Committee that



provided a summary of the audit work undertaken and opinions issued in the period April to June 2019.

The Chair invited questions from the Committee.

A member expressed concern in respect of the limited assurance given to the Deprivation of Liberty Safeguards (DoLS) and the continued delay in the completion of DoLS assessments. Officers were asked for a report to update the Committee on the action being taken to address and improve the current arrangements. Reference was also made to the audit of Our Manchester Voluntary and Community Sector Grants and the partnership working arrangement with the Voluntary Sector and the Council. The point was made that the monitoring information from grant recipients is being provided to the Council however, it was not clear how this was being acted upon if an issue was identified. Officers were asked if the recommendations that had been made were sufficient to address this concern. Officers were also asked for an explanation why, in view of the arrangements in place, had the audit of the prevention and detection of procurement fraud received a moderate assurance.

The committee was informed that DoLS is a challenging area of service and the national average duration for the completion of an assessment is 138 days. At a local level the average assessment completion time is 130 days and the concerns raised on this situation had resulted in an audit. Members were informed that the audit work is a key element of the improvement plan for the service. The Committee would also have the opportunity to question the Executive Member for Adult Health and Wellbeing and the Director of Adult Services at the meeting of the Committee in October 2019. In respect of the concerns raised regarding Manchester Voluntary and Community Sector Grants, it was reported that the audit report on the service had identified the lack of feedback to the voluntary sector. The report recommendations were made to address this matter and improve consistency of recording contact with the organisations, actions taken and the support provided to recipients. In response to the concern raised regarding the prevention and detection of procurement fraud. It was reported that the moderate assurance related to the areas of improvement required to improve prevention and detection of fraud through reporting and utilising data and intelligence of records of individual procurement activity.

A member referred to the changes made to the report format and questioned the process followed in undertaking this and the reason for the delay in providing executive members with audit reports.

It was reported that the audit report format will provide an executive summary including an opinion to identify key issues, areas for improvement, the timeframe. It would not include the action plan. Members were informed that audit reports were circulated to the members of the senior management team in advance of executive members to provide time to read the reports and be aware of any issues raised.

## **Decisions**

1. To note the report submitted.
2. To note the comments received.

### **AC/19/37 Outstanding Audit Recommendations**

Members considered the report of the Deputy Chief Executive and City Treasurer and Head of Internal Audit and Risk Management that informed the Committee that in accordance with Public Sector Internal Audit Standards the Head of Audit and Risk Management 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.

The report summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

#### **Decisions**

1. To note the current process and position in respect of high priority Internal Audit recommendations.
2. To agree that the scheduled date of the committee on 17 September 2019 be used for training purposes for committee members and any business be rescheduled for submission to the meeting of the Committee on 15 October 2019.
3. To agree to request the Head of Internal Audit and Risk Management to circulate guidance on Contractor and Whistleblowing Arrangements to all members of the Committee for information.

### **AC/19/38 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.

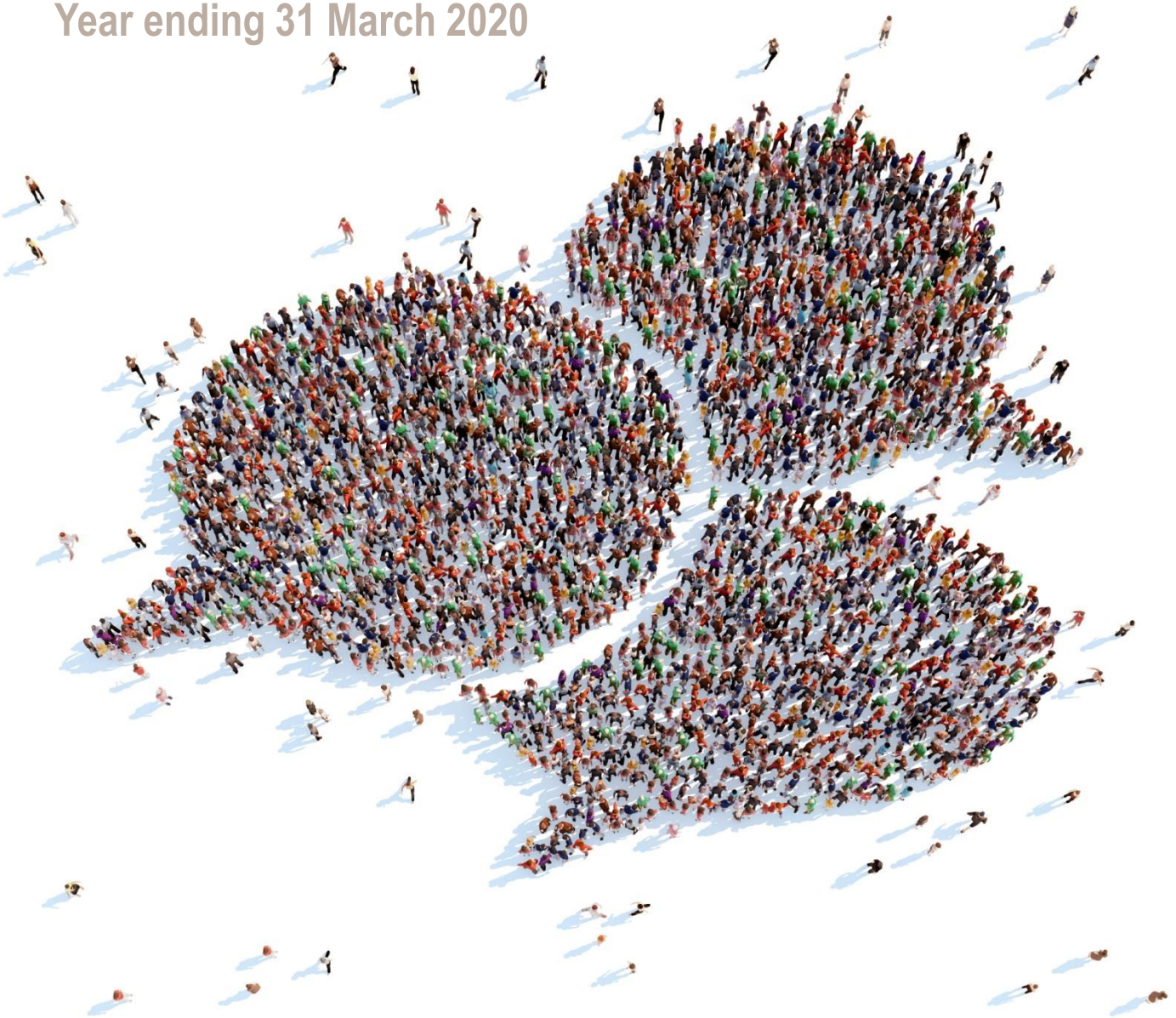
The Deputy Chief Executive and City Treasurer reported that the Annual Local Government Ombudsman Compliant report would be scheduled on the Annual Work Programme.

#### **Decisions**

1. To agree the Work Programme subject to the above.
2. To note the Recommendation Monitor and the amendments proposed.

# Audit Committee Progress Report and Technical Update 15 October 2019

Manchester City Council  
Year ending 31 March 2020





# CONTENTS

## Audit Progress

## Appendix A – Technical Update

This document is to be regarded as confidential to Manchester City Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# AUDIT PROGRESS

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

This paper also seeks to highlight at Appendix A key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

## Audit Completion 2018/19

Since the last Audit Committee we have completed our work on the Council's Whole of Government Accounts (WGA) return as required by the National Audit Office. We issued our unqualified conclusion on the Council's WGA submission on 20 September 2019. This enabled us to issue our Audit Completion Certificate for 2018/19 on that date.

## Audit progress 2019/20

The 2019/20 audit is now due to start. In the next few weeks we plan to:

- hold internal planning meetings as part of our planning process for the 2019/20 audit;
- hold update meetings with the finance team in respect of planning for the 2019/20 interim and final audit visits;
- review minutes from Council meetings to inform our financial audit and value for money conclusion risk assessment.

We plan to carry out interim testing during late October and November which will include updating our core financial systems documentation and carrying out substantive testing of income and expenditure for the first six months of the year.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage. Our detailed Audit Strategy Memorandum will be presented to the January Audit Committee.

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
<b>National Audit Office (NAO)</b>			
1	<b>New Code of Audit Practice 2020/21 – Consultation</b>	Consultation process underway for the new Code of Audit Practice that will apply for 2020/21 audits	5
2	<b>Whole of Government Accounts 2017/18</b>	NAO has provided a qualified opinion on the 2017/18 Whole of Government Accounts	6
<b>Public Sector Audit Appointments Ltd (PSAA)</b>			
3	<b>Local audit quality forum June 2019 slides</b>	Slides from PSAA event	7
4	<b>Local Government audit opinions issued by 31 July 2019</b>	Press release relating to the increase in delays in issuing audit opinions	7
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>			
5	<b>A practical guide for Local Authorities on Income Generation (2019 edition)</b>	Guidance to assist Councils	8
<b>Ministry of Housing, Communities &amp; Local Government (MHCLG)</b>			
6	<b>Review of local authority financial reporting and external audit</b>	Announcement of a wide ranging review of financial reporting and external audit in the sector	9
<b>Mazars</b>			
7	<b>Rethinking Social Value: Unlocking Resources to Improve Lives</b>	Sector-leading think piece on Social Value	10

1. Audit progress

2. National publications

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 1. New Code of Audit Practice 2020/21 – Consultation, September 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second is currently underway with a deadline for responses of 22 November 2019. The NAO plans to finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

The second stage of the consultation is focusing on the text of the draft Code. In particular there are proposed changes to the way auditors report on arrangements to deliver value for money in the use of resources.

The Local Audit & Accountability Act 2014 places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money.

Currently, the local auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people." This is known as the value for money conclusion and is included in the Auditor Report included in Council's financial statements.

The consultation draft Code proposes changes to this reporting, with a more detailed commentary on the value for money arrangements being included in a new 'Auditor's Annual Report'.

Should the Council wish to respond to the consultation, the details are provided in the link below.

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/#>

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 2. Whole of Government Accounts 2017/18, May 2019

The Whole of Government Accounts (WGA) consolidates the accounts of over 8,000 bodies across the public sector, including central and local government and public corporations such as the Bank of England, to produce an accounts-based picture of the UK's public finances. It sets out what the government receives, pays, owns and owes.

The headline results in WGA 2017/18 show income of £760.9 billion (2016/17 £720.8 billion), expenditure of £814.8 billion (2016/17 £760.7 billion). After financing costs are taken into account, the net expenditure for WGA is £212.4 billion (2016/17 £97.8 billion). On the Statement of Financial Position, WGA shows total assets of £2,013.8 billion (2016/17 £1,903.0 billion), and liabilities of £4,579.2 billion (2016/17 £4,323.7 billion).

The National Audit Office issued their Audit Report on the 2017/18 WGA, and have qualified their opinion as a result of qualifications in underlying accounts, and as a result of issues relating to the boundary, non-coterminous year ends, and accounting policies applied by the Treasury when carrying out the WGA consolidation.

<https://www.nao.org.uk/report/whole-of-government-accounts-2017-18/>



## 2. NATIONAL PUBLICATIONS – PUBLIC SECTOR AUDIT APPOINTMENTS LTD

### 3. Local audit quality forum June 2019 slides, June 2019

The local audit quality forum meeting place in which all of the parties which share a responsibility for audit quality can share experiences and good practice. The June 2019 slides are now available. The forum addressed 'practical help for Audit Committees', including the following:

- what should the Audit Committee look for in the financial statements?
- what is it like being an Audit Committee Chair;
- support for Audit Committees from CIPFA;
- how can Internal Audit help the Audit Committee to deliver its remit;
- support from the Local Government Association for Audit Committees; and
- new Code of Audit Practice consultation.

The next Forum meeting is in November 2019.

<https://www.psa.co.uk/wp-content/uploads/2019/06/10-07-19-LAQF-Presentation-Slides.pdf>

### 4. Local Government audit opinions issued by 31 July 2019, August 2019

PSAA issued a press release after the end of the 2018/19 audit deadline to highlight the increase in the number of audit opinions that were not available by 31 July 2019. Reporting an increase in the number of opinions not available, the press release highlights the factors that have driven the increase in delays.

<https://www.psa.co.uk/2019/08/news-release-local-government-audit-opinions-delivered-by-31-july-2019/>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 5. A practical guide for Local Authorities on Income Generation (2019 edition), CIPFA, July 2019

CIPFA's revised income generation guide reflects on the income generation issues of 2019 and the changes that are being made.

The issues that are examined in this publication include:

- the need for thorough testing and business cases to robustly assess income proposals;
- the impact of the 2018 MHCLG Statutory Investment Guidance; and
- how the pattern of local authority income is changing.

The guide will allow councils to maximise their income potential against a backdrop of Brexit uncertainties and other economic changes. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.

The publication also has practical guidance on income generation for different service areas and there is a full coverage of discretionary charging rules.

<https://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2019-edition>

## 2. NATIONAL PUBLICATIONS – MHCLG

### 6. Review of local authority financial reporting and external audit, September 2019

The Ministry of Housing, Communities and Local Government announced in September that they had appointed Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review will not look at broader issues of local authority finances and sustainability.

The review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework to in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

As part of the review, MHCLG have issued a “Call for Views” which is linked below, along with the review’s terms of reference.

<https://www.gov.uk/government/publications/review-of-local-authority-financial-reporting-and-external-audit-terms-of-reference>

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

## 2. NATIONAL PUBLICATIONS – MAZARS

### 7. Rethinking Social Value: Unlocking Resources to Improve Lives, June 2019

Mazars have issued a sector leading think piece on Social Value.

This report utilises the knowledge and understanding we have access to as one of the largest auditors of the wider public sector, with involvement across the public sector.

The report reflects views from our clients in the public and not-for-profit sectors on how social value is defined, delivered and its impact on communities. We are pleased to share the results of this research in our brand new report: *'Rethinking social value: unlocking resources to improve lives'*.

The report focuses on:

- the opportunities around social value;
- leadership, communication, and building support;
- case studies highlighting innovative approaches in charities, not-for-profits and private sector partnerships; and
- how to measure the impact of social value.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Public-Services-Insights/Rethinking-Social-Value>

## CONTACTS

Partner  
Karen Murray

Phone: 0161 238 9248  
Mobile: 07721 234 043  
Email: [karen.murray@mazars.co.uk](mailto:karen.murray@mazars.co.uk)

Senior Manager  
Stephen Nixon

Phone: 0161 238 9233  
Mobile: 07909 986 191  
Email: [stephen.nixon@mazars.co.uk](mailto:stephen.nixon@mazars.co.uk)

This page is intentionally left blank

# Annual Audit Letter

**Manchester City Council**

Year ended 31 March 2019





## CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Manchester City Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and</li> <li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19</li> </ul> <p>An unadjusted difference impacting the pension liability significant risk is reported on page 7. In addition, the Group accounts were amended to reflect material adjustments to Airport land and buildings valuations, which impacted on the value of the Council's investment in the joint venture.</p>
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none"> <li>• the other information in the Statement of Accounts is consistent with the audited financial statements.</li> </ul>
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, in June 2019 we will report to the group auditor in line with the requirements applicable to the Council's WGA return. The deadline for this submission is 13 September 2019.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

<b>Opinion on the financial statements</b>	<b>Unqualified</b>
--	--------------------

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give 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.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give 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.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

		Council	Group
Financial statement materiality	Our financial statement materiality is based on 1.68% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level	£30.261m	£35.735m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.907m	£1.072m
Specific materiality	We have applied a lower level of materiality to the following area of the accounts: Senior Officer Remuneration	£5,000	n/a

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

#### Management override of controls

#### Description of the significant risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed the significant risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

There are no significant matters arising from our work on the management override of controls.

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Valuation of Property, Plant & Equipment

#### Description of the significant risk

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially fairly stated fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.

Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.

#### How we addressed the significant risk

We have:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- Considered whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- Critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and
- Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

#### Audit conclusion

We have not identified any significant matters from our testing and have concluded that the Council's Property, Plant & Equipment is materially fairly stated.

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Valuation of Defined Benefit Pension Liability

#### Description of the key audit matter

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

#### How we addressed the key audit matter

We have:

- Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

#### Observations and conclusions

We have not identified any significant matters from our testing, and we have concluded that the Council's reported net defined benefit pension liability is materially fairly stated. We have reported a non-material estimation difference regarding the impact of Guaranteed Minimum Pension and McCloud legal cases. Management identified the impact following a revised actuarial valuation in July 2019.

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Area of management judgement

Group Financial Statements consolidation process	Description of the management judgement
	The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.

#### How our audit addressed this area of management judgement

We have reviewed the Council's judgements relating to the entities that are consolidated into the Group financial statements, and we have reviewed and tested the method of consolidation of those group entities into the Group financial statements.

Management prepared the initial consolidation of Manchester Airport Holdings Ltd (MAHL) based upon their draft financial results. MAHL subsequently provided audited financial statements which were used by management to re-prepare the consolidation.

Management commissions an independent valuation of Manchester Airport and the Manchester Convention Centre to convert to IFRS Fair Value for consolidation.

#### Audit conclusion

Our review of the Council's independent valuations of Manchester Airport land resulted in management recognising these assets were double counted in the Group financial statements because the Council's interest was added to the component bodies interests. The same also applied to the consolidation of Destination Manchester Ltd (DML) property. This resulted in an amendment to reduce the investment in MAHL by £92.8m and DML by £15.2m.

A further Group consolidation amendment was required regarding the calculation of the annual uplift of land and buildings used in the consolidation of the MAHL accounts. This resulted in an increase in the investment in MAHL of £37.2m in 2018/19 and an associated prior year adjustment of £42.9m.

None of the above adjustments impacted the accounts of DML, MAHL or the Council's single entity accounts.

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

<b>Description of deficiency</b>	Members and senior officers are not requested to declare their interests on an annual basis. An annual declaration is considered to be good practice.
<b>Potential effects</b>	Interests which may conflict with the Council's activities and associated safeguards could be missed.
<b>Recommendation</b>	Undertake an annual exercise to request all Members and Senior Officers to update the Register of Interests.
<b>Management response</b>	We agree in principal with the recommendation and will liaise with Democratic Services to amend the Council Constitution and implement a process to update the Register of Interests.

<b>Description of deficiency</b>	There are 112 Active Directory privileged users registered at the Council. Privileged access gives administrator rights and access to critical systems and data and should therefore be tightly controlled. We consider that 112 privileged users appears high.
<b>Potential effects</b>	A high number of privileged users increases the risk of privileged access being abused impacting on the security and integrity of systems and data.
<b>Recommendation</b>	The number of active privileged user accounts (identified with the privileged user prefix) should be reviewed and if no longer required should be disabled or deleted.
<b>Management response</b>	The recommendation is duly noted and accepted. Work is underway to ensure the number of privileged users aligns to the specific roles and responsibilities that require privileged access. Where it is identified that privilege access is no longer required or appropriate then this access will be removed. We will liaise with the Council's audit team to review progress.



### 3. VALUE FOR MONEY CONCLUSION

**Value for Money conclusion**

**Unqualified**

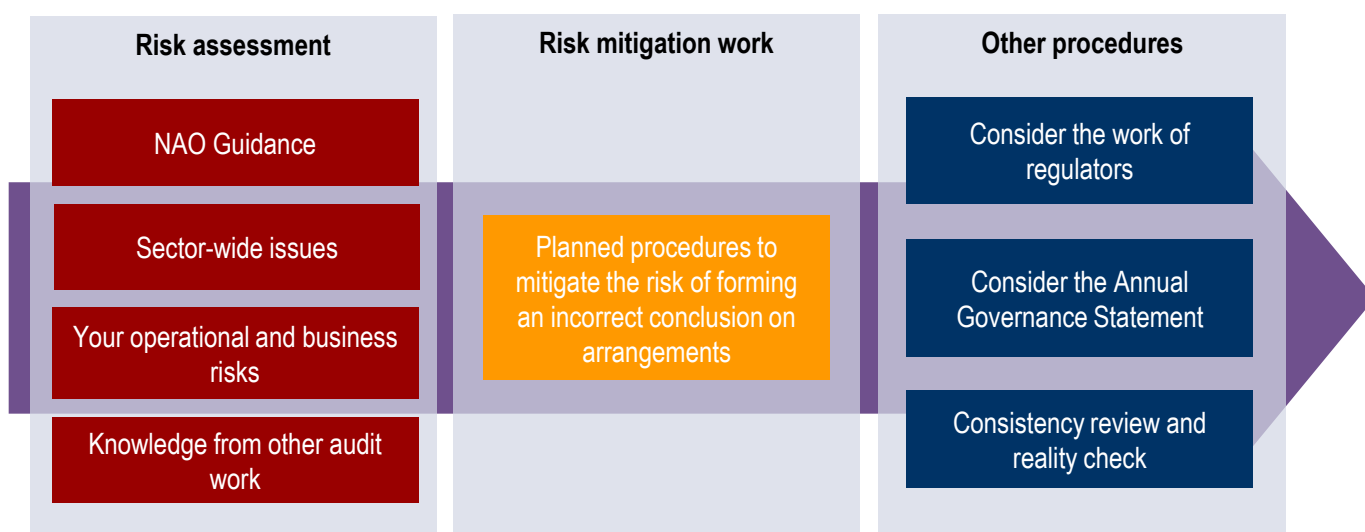
#### Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

A summary of the work we have undertaken is provided below:



#### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk relating to the financial sustainability of the Council in the medium term.

The work we carried out in relation to the significant risk is outlined overleaf.

#### Our overall Value for Money conclusion

Our audit report issued on 31 July 2019 reported an unqualified Value for Money conclusion for the 2018/19 financial year.



### 3. VALUE FOR MONEY CONCLUSION (CONTINUED)

#### Significant Value for Money risks

The work we carried out in relation to significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Health and Social Care Integration</b></p> <p>From 1 April 2017 the Manchester Health and Care Commissioning (MHCC) Board has been in place, with representatives from health and social care commissioning, governing the commissioning spend in Manchester. A key part of the single commissioning function is that integrated decision making will take place for the health and social care commissioning budgets in Manchester.</p> <p>The partnership between the Clinical Commissioning Group (CCG) and the Council is supported through a new section 75 partnership arrangement (S75) from 1 April 2018. As part of the partnership arrangements, the CCG and the Council have agreed to establish and maintain an Integrated Care Budget which will be used by the MHCC Board to commission the Services as set out in the Locality Plan.</p>	<p>We have reviewed documentation to gain an understanding of the governance and decision making arrangements which underpin successful joint commissioning across Manchester. This has included understanding the financial impact for the Council. We have also noted and reflected the valuable insight from the Council's Internal Audit function.</p> <p>The Council has worked closely with health partners across the city to improve and coordinate health and care services for residents. Service delivery and governance arrangements for MHCC and the Manchester Local Care Organisation (MLCO) are reported to Members and Senior Management through Senior Management Team, Executive, Health &amp; Wellbeing Board and Health Scrutiny Committee.</p> <p>MHCC operates as a partnership between the Council and CCG under a Section 75 agreement underpinned by a financial framework. MHCC leads the commissioning of health, adult social care and public health services although statutory responsibility for social care and public health remains with the Council. Reporting is through MHCC Finance Executive and upwards to MHCC Executive. The governance function was strengthened in the autumn of 2018 building upon lessons learnt from the early stages of joint working.</p> <p>The financial framework requires an Integrated Care Budget (ICB) of which the Better Care Fund (BCF) is a subset. Total BCF funding for 2018/19 was £110.3m of which the Council contributed £38.2m (35%) and CCG £72.1m (65%). Of the total, £72.3m was spent on new delivery models of integrated care.</p> <p>MLCO is the vehicle for the delivery of commissioned health and care. Although not a statutory partnership between health providers there is a ten year partnering agreement effective 1 April 2018. Statutory responsibility for adult social care remains with the Council. MLCO Executive receives monthly performance updates.</p>	<p>We conclude that for 2018/19 the Council has proper governance arrangements to deliver joint Health and Social Care Commissioning. This should help integrate the three pillars of the overall Locality Plan being the LCO, Joint commissioning by MHCC and the single hospital service.</p>

## 4. OTHER REPORTING RESPONSIBILITIES

<b>Exercise of statutory reporting powers</b>	<b>No matters to report</b>
<b>Completion of group audit reporting requirements</b>	<b>To be completed</b>
<b>Other information published alongside the audited financial statements</b>	<b>Consistent</b>

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We plan to submit this information to the NAO by the deadline of 13 September.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

## 5. OUR FEES

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the audit panel in December 2018.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£159,519	£159,519

### Fees for other work

We have been invited and agreed to undertake a Homes England Certification audit for the Council. The audit fee for the work is £2,750.

## 6. FORWARD LOOK

### Audit Developments

#### *Code of Audit Practice*

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

#### **Financial Resilience**

##### *Government Spending Review*

The Council will need to incorporate the outcome of the Spending Review in its Medium Term Financial Plan. The Government has announced that a one year spending review will be completed in September for 2020/21, with the next multi-year Government Spending Review being delayed until 2020. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

##### *Local Authority Financial Resilience Index*

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

##### *Commercialisation*

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

## 6. FORWARD LOOK (CONTINUED)

### Financial Reporting

#### *UK Local Government Annual Accounts*

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

#### *Lease accounting*

The implementation of IFRS 16 *Leases* in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

## CONTACT

### **Karen Murray**

Director & Engagement Lead

Phone: 0161 238 9248

Email: [Karen.Murray@Mazars.co.uk](mailto:Karen.Murray@Mazars.co.uk)

### **Stephen Nixon**

Senior Manager

Phone: 0161 238 9233

Email: [Stephen.Nixon@Mazars.co.uk](mailto:Stephen.Nixon@Mazars.co.uk)

This page is intentionally left blank



## Manchester City Council Audit Committee Work Programme 2019/20 and Recommendations Monitor

**Meeting Date 12 November 2019, 10am (Report deadline 1 November) 115 minutes**

Item	Lead Officer	Position	Comments	AC ToR	Time
Internal Audit Assurance Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter two. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter two. <i>To consider and comment</i>	4.4	10
Register of Significant Partnerships Update	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Update of actions being taken to provide assurance over the Council's role in significant partnerships. <i>To consider and comment</i>	4.10 4.12	20
Annual Governance Statement Update	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Summary of the progress in implementing recommendations from the Annual Governance Statement. <i>To consider and comment</i>	1 3 4.10 4.12	20
Treasury Management (Interim) Report	Janice Gotts Karen Gilfoy Tim Seagrave	Deputy City Treasurer Chief Accountant Finance Lead	Update on the Treasury Management activities of the Council. <i>To consider and comment</i>	4.11	10
External Audit Progress Report and Update	Karen Murray	External Audit (Mazars)	Update on the work of the External Auditor	2 4.7	10
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
--	--------------	------------------------	--	--	---

Meeting Date 10 December 2019, 10am (Report deadline 29 November) 85 minutes					
Item	Lead Officer	Position	Comments	AC ToR	Time
Annual Audit Letter	Karen Murray	External Audit (Mazars)	Report from the External Auditor on the overall findings and recommendations resulting from the 2018/19 annual audit plan. <i>To consider and comment</i>	2 4.7	10
Grants Certification Report		KPMG	Report from KPMG in respect of the audit of grant returns 2018/19, any issues arising and associated fees. <i>To consider and comment</i>	4.7	10
Review of Code of Corporate Governance	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	To consider and comment on the updated Code of Corporate Governance <i>To consider and comment</i>	1 3 4.10 4.12	20
Annual Audit Plan – Horizon Scanning Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Report on areas of potential risk and focus for 2020/21 and future years' internal audit planning. As requested by Audit Committee in February 2019 meeting <i>To consider and comment</i>	4.2 4.3	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20

Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5
--	--------------	------------------------	--	--	---

**Meeting Date 11 February 2020, 10am (Report deadline 31 January) 75 minutes**

Item	Lead Officer	Position	Comments	AC ToR	Time
Internal Audit Assurance Report	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Summary of internal audit activity and report opinions to the end of quarter three. <i>To consider and comment</i>	4.4	20
Outstanding Audit Recommendations	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	Update on the implementation of internal and external audit recommendations for each Directorate to the end of quarter three. <i>To consider and comment</i>	4.4	10
Risk Management Strategy and Risk Register	Tom Powell Richard Thomas John Gill	Head of Audit and Risk Deputy Head of Audit and Risk Risk and Resilience Manager	Update on the Council's risk management strategy and governance arrangements. To include the corporate risk profile as articulated in the latest refresh of the corporate risk register. <i>To consider and comment</i>	4.1	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Page 43

**Meeting Date 10 March 2020, 10am (Report deadline 28 February) 85 minutes**

Item	Lead Officer	Position	Comments	AC ToR	Time
Annual Audit Plan	Karen Murray	External Audit (Mazars)	Report from the External Auditor on the External Audit Plan for the audit of the accounts and value for money conclusion for year ending 31 March 2020 <i>To consider and comment</i>	2 4.7	10
Register of Significant Partnerships	Courtney Brightwell Kate Waterhouse	Performance Manager Head of Performance, Research & Intelligence	Annual review of the register of significant partnerships. <i>To consider and comment</i>	4.10 4.12	20
Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty	Carol Culley Janice Gotts Karen Gilfoy	City Treasurer Deputy City Treasurer Chief Accountant	To explain the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the accounts. <i>To consider and comment</i>	1 4.9	10
Annual Internal Audit Plan	Tom Powell Richard Thomas Kathryn Fyfe	Head of Audit and Risk Deputy Head of Audit and Risk Audit Manager	To provide the Internal Audit Strategy and annual internal audit work plan for Audit Committee consideration in line with Public Sector Internal Audit Standards. <i>To review and approve</i>	4.2 4.3	20
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

**Meeting Date for April TBC (proposed 7 April 2020), 10am (Report deadline 27 March ) 105 minutes**

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Draft Annual Governance Statement (AGS)	Courtney Brightwell  Kate Waterhouse	Performance Manager  Head of Performance, Research & Intelligence	To advise the processes followed to produce the AGS and obtain Audit Committee input to the draft statement. <i>To consider and comment</i>	1 3 4.10 4.12	30
Head of Audit and Risk Management Annual Opinion	Tom Powell	Head of Audit and Risk	Head of Internal Audit and Risk Management Annual Opinion on the Council's systems of governance, risk management and internal control as well as a summary of audit work undertaken in the year. <i>To consider and comment</i>	4.6	30
Review of Internal Audit and Quality Assurance Improvement Programme (QAIP)	Carol Culley	Deputy Chief Executive and City Treasurer	To consider organisational arrangements for the delivery of internal audit in line with legislation and Public Sector Internal Audit Standards. To include review of the Internal Audit Charter. <i>To consider and comment</i>	3	15
Annual Review of Audit Committee Terms of Reference	Andrew Woods	Governance Team Leader	To review the Committee terms of reference and operation of the Committee. To propose changes (where required) for consideration at Council. <i>To consider and comment</i>		5
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	4.1	20
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

## **Audit Committee Terms of Reference: as per Constitution (Agreed by Council on 2 October 2019)**

### **Purpose**

1. The main purpose of the Committee is to obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

### **Governance**

2. Review the Council's corporate governance arrangements including consideration of the Code of Corporate Governance.
  - Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
  - Review the governance and assurance arrangements for significant partnerships or collaborations, including the Register of Significant Partnerships.
  - To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Strategy and Policy; and the Corporate Risk Register.
  - Review the assessment of fraud risks and potential harm to the Council from fraud and corruption including oversight of key anti-fraud policies and monitoring of the counter-fraud strategy.
  - To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).

### **Financial Reporting**

3. Review and approval of the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and monitor the Council's response to individual issues of concern identified.
  - Approve the Council's Statement of Accounts and associated governance and accounting policy documents in accordance with the Accounts and Audit Regulations 2015.

#### **External Audit**

4. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
  - Consider the external auditor's annual audit plan, annual audit letter, relevant reports and the report to those charged with governance.
  - Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **Internal Audit**

5. Oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work. In particular, undertake the duties of the Board as set out in Public Sector Internal Audit Standards (PSIAS) as follows:
  - Approve the Internal Audit Charter

- Review and approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Receive confirmation from the Head of Audit and Risk Management with regard to the organisational independence of the internal audit activity and make appropriate enquiries of management and the Head of Audit and Risk Management to determine whether there are inappropriate scope or resource limitations.
- Provide free and unfettered access to the Audit Committee Chair for the Head of Audit and Risk Management, including the opportunity for a private meeting with the Committee.
- Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.
- Receive the results of the Quality Assurance and Improvement Plan annually and the external quality assessment of internal audit that takes place at least once every five years.
- Receive communications from the Head of Audit and Risk Management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. To include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Committee.
- Consider the Head of Audit and Risk Management's annual opinion and report.
- Seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans.
- To monitor the implementation and outcomes of the Council's internal audit programme and where required, to review summary and individual audit reports with significant implications for financial management and internal control.



## Treasury Management

6. To monitor the performance of the Treasury Management function including:
  - approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
  - budget consideration and approval;
  - approval of the division of responsibilities;
  - receiving and reviewing regular monitoring reports and acting on recommendations; and
  - approving the selection of external service providers and agreeing terms of appointment.

## Additional role of Audit Committee

7. To overview the Council's whistleblowing policy.

**Delegation:** In exercising the above powers and responsibilities, the Committee shall have delegated power to make decisions and act on behalf of the Council.

**Note:** The Committee may itself determine not to exercise its delegated powers and instead make recommendations to the Council.

### Audit Committee - Recommendations Monitor

Date	Item	Recommendation	Response	Contact Officer
5 Nov 2018	AC/18/54 2018/19 Annual Governance Statement (AGS) – Summary of Progress to Date	<p>To request that the <b>Annual Governance Statement</b> includes a response to concerns expressed regarding the consistency of the implementation of the Our Manchester behaviours across all areas of the Council’s services and staff.</p> <p>To request that, as part of the <b>Annual Complaints report</b>, officers include details on the number of Freedom of Information and other subject access requests made to the Council and provide details of the average length of staff time taken to process a request and costs involved.</p>		
11 February 2019	AC/19/07 Health and Social Care Assurance Framework	To request that the minutes of the Manchester Local Care Organisation Audit Committee be submitted to the Audit Committee for information.		
15 April 2019	AC/19/19 Review of Effectiveness of Internal Audit	To request that a report is submitted to the Audit Committee in six months to provide details on the circulation of audit reports and summary reports to Executive Members.		