

## **Audit Committee**

### **Minutes of the meeting held on 12 April 2022**

#### **Present:**

Councillor Ahmed Ali - In the Chair  
Councillors Clay, Good, Hitchen, Lanchbury, Robinson and Russell

#### **Apologies:**

Independent Co-opted member: Dr D Barker  
Independent Co-opted member: Dr S Downs

#### **Also Present:**

Councillor Joanne Midgely (Deputy Leader)  
Karen Murray, Mazars (External Auditor)

#### **AC/22/08     Minutes**

#### **Decision**

To approve the minutes of the meeting held on 15 February 2022 as a correct record.

#### **AC/22/09     Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The Committee considered a report of the Deputy Chief Executive and City Treasurer which discussed the Authority's accounting concepts, conventions, policies and requirements, critical accounting judgements and key sources of estimation uncertainty to be used in the preparation of the 2021/22 Annual Accounts. The details of a recent emergency Code consultation were also provided for comment.

The report set out a narrative around:

- The basis of accounting policy
- Requirements around disclosure in respect of the application of critical accounting policy judgements
- A list of key sources of estimation uncertainty, including useful lives and valuations of properties which are estimated by qualified valuers, provision for business rate appeals based on claims received and previous experience of the outcome of appeals, the amount of arrears that will not be collected which is estimated based on expectations of the collection of different types of debt and the liability for future pension payments which is estimated by qualified actuaries (provided in an appendix); and
- The details of a consultation on emergency proposals for an update of the 2021/22 and 2022/23 Codes of Practice on Local Authority Accounting in the UK, largely driven by 91% of Local Government Accounts being submitted after the statutory deadline. The outcome of the consultation resulted in a deferral of the implementation of IFRS 16 Leases for a further year and reversed the planned changes to the 2022/23 code. Whilst this outcome would

not reduce the burden on Local Authorities, there would be no further complication of the leasing treatment.

The key lines of enquiry discussed in the meeting were:

- The impact of changing interests rates and inflationary factors on matters such as pension liability, asset valuation, collections rates of council tax / business rates etc
- The impact of the cost of living crisis on arrears arising from short term / sundry debtors such as housing rent, council tax and business rates debtors

In respect of changing interest rates on pension liability, the Deputy City Treasurer confirmed that a wide range of variables were routinely monitored and kept under close consideration through a mixture of formulaic measures and actuarial assessments in order to ensure effective management. In view of the complexity within those wide-ranging factors (eg life-expectancy, pay awards, inflationary factors, investment returns) a professional judgement call was necessary to address those uncertainties. In terms of how Local Government pensions were externally audited, Karen Murray (Mazars) explained that the National Audit Office commissioned an external expert to evaluate the approach taken by the five actuaries that are in place with a focus on the assumptions that are made across numerous factors to be satisfied that those assumptions are consistently applied, are within a reasonable range and align with the national position in terms of the approach taken.

With regard to arrears from sundry debtors, the Deputy City Treasurer explained that where the Council is seeking to recovery monies, inevitably there would be those who would default which resulted in the need for an estimate of those that would doubtfully be recovered. Due to the cost of living crisis, in addition to other economic factors, the level of 'write off' was predicted to be higher than usually anticipated and therefore warranted closer monitoring.

## **Decision**

1. To approve the accounting concepts and policies that will be used in completing the 2021/22 annual accounts
2. To note the critical accounting judgements made and key sources of estimation uncertainty
3. To note the outcome of the recent emergency Code consultation

## **AC/22/10 Internal Audit Plan 2022/23**

The Committee considered a report of The Head of Audit and Risk Management which in line with Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note from the Chartered Institute for Public Finance and Accountancy presented a risk-based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control. The Head of Internal Audit and Risk Management

is required to communicate internal audit plans and resource requirements, including significant interim changes, to Strategic Management Team and the Audit Committee for review and approval. The audit plan for 2022/23 set out areas of proposed audit coverage for the year and the delivery of this plan would be reported to SMT and Audit Committee as part of regular audit reporting.

The report set out information about

- Basis for the Plan
- Characteristics of the Audit Plan, including its Context, Timeframe and Structure
- Resourcing of the Plan; and
- Planned Areas of Focus

The key points of discussion in the meeting were:

- The length of time taken to implement the service restructure
- Resourcing and capacity within the team to deliver
- The classification of risk within the Corporate Risk Register
- Staff welfare and wellbeing, noting the impact of the pandemic and other workforce developments

With regard to the time taken to implement the service restructure, the Head of Audit and Risk Management spoke about the complexities about health and safety aspects of the service review which had caused unavoidable delays. In terms of timescales, consultation with staff was expected to commence in early June following which appointments to posts could be made and recruitment progressed to fill vacancies in the new roles expected in July 2022.

There was a discussion about capacity to deliver more complex areas of audit activity once COVID grant related work had ceased. Members commented that they were keen to see those vacancies filled and sought assurance that there was adequate capacity to deliver the comprehensive range of audits scheduled for completion this year with sufficient flexibility to respond to currently unplanned work. The Deputy Chief Executive and City Treasurer said that COVID grant related work and more recent government schemes would remain a feature of audit activity as part of a planned lengthy programme of work. Therefore efforts had been made to ensure that there was sufficient capacity with the service to complete this work alongside the programme of scheduled work as part of the Audit Plan. The Head of Audit and Risk Management added that the Plan had been developed based on current staffing levels therefore allowing an element of capacity to respond to risks that could emerge during the year.

There was a discussion about the classification of risk within the Corporate Risk Register, with particular reference to the rating allocated for 'housing needs not being met' (defined as medium risk). The Head of Audit and Risk Management described the process involved for consideration of the Register with the Senior Management Team, adding that a discussion had taken place around that particular definition, which had recently been broadened from the narrower definition of access to affordable housing. A further meeting was therefore planned with the Strategic

Director of Development to explore whether its current rating required an amendment.

With reference to the report's mention of staff training and development, a member acknowledged the increasing demands on staff (particularly in response to the pandemic) and stressed the importance of staff welfare. In response the Deputy Chief Executive and City Treasurer spoke about the dedication and commitment she had witnessed across the workforce to provide the best possible service to Manchester residents during the significant challenge presented by the pandemic. She said that the importance of staff welfare had been discussed at length at a recent Senior Management Team meeting which touched on challenges around competing workforce development priorities as well as recruitment. Actions were being undertaken to ensure that established measures such as staff surveys and the Council's Wellbeing Strategy were well communicated and the importance of the role of managers (with particular reference to responding to signs of stress) were referred to as examples of the types of support available.

### **Decision**

To endorse the Annual Internal Audit Plan for 2022/23.

### **AC/22/11 Annual Internal Audit Assurance Opinion and Report 2020/21**

The Committee considered a report of the Head of Audit and Risk Management which discussed the delivery of the annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council, in accordance with Public Sector Internal Audit Standard 2450.

The report provided Members with the Head of Audit and Risk Management's annual assurance opinion and report on the Council's system of governance, risk management and internal control for 2021/22.

In addition to the scope, purpose and context of the opinion, the report also included information about:

- The overall opinion for the year to March 2022 (cited as 'Reasonable'), including key strengths, risks and issues arising from audit work
- The delivery of the Audit Plan
- Audit assurance, risks and issues
- Children's Services and Education Directorate Opinions
- Adults Services and Public Health Directorate Opinions
- Corporate Core Directorate Opinions, including Information and ICT, Financial Systems, Capital Programme, Commercial Governance, Our Town Hall and the Estates Services Review
- Procurement, Contracts and Commissioning Directorate Opinions, including Carbon Reduction in Procurement, Waivers and Contract Extensions, and Follow Up Review – Children's Placements, Supplier Due Diligence
- Neighbourhoods Directorate Opinions including Governance and Oversight Housing Operations Service, Governance and the Oversight, Management of Void and Empty Properties, Grant Certifications, Highways Compensation Events

- Growth and Development Directorate including the AVRO Hollows Tenant Management Organisation
- Counter-Fraud and Investigations
- Proactive and Reactive Work; and
- An overview of the current position of earlier Audit Recommendations

The key points of discussion in the meeting were:

- The scope and scale of the local audit framework
- Avro Hollows Tenant Management Organisation (AHTMO)
- The Management of void and empty former Northwards properties

The Committee thanked officers for the comprehensive and detailed report and a discussion followed on the changing scope of governance arrangements within local government audit in reflection of the increasing move towards the partnership delivery model.

A member asked for further information about the information provided on the limited assurance opinion issued for the AHTMO, noting that there had been an issue over the logging of requests for minor repairs and fundamental differences in expectations between the Council's Strategic Housing Service and AHTMO regarding basic elements of service delivery. The importance of ensuring local ward members on such issues was also cited. The Head of Audit and Risk Management explained that this largely related to quality assurance measures for service delivery which had resulted in a number of actions being put forward in respect of refining the Modular Management Agreement (MMA) which set out the respective responsibilities of the Council and the TMO. He agreed to liaise with the Strategic Housing Service concerning the request to ensure that local ward members are advised of such issues as a matter of routine.

There was a discussion about the management of void and empty former Northwards properties and the associated actions issued alongside the 'Limited' assurance opinion. A member sought further information on likely timescales for the completion of the audit of void properties, and the implications for charging of Council Tax amongst the other recommendations put forward. The Head of Audit and Risk Management explained that performance had fallen during the pandemic and that it had been acknowledged amongst leaders in the service, that improvements were needed. A completion date of September 2022 had been identified however it was likely that some of those action points could be completed before this date. The Head of Audit and Risk Management agreed to provide further information in the next update to this Committee about the action plan for the auditing of void properties (including how and by whom that would be delivered) and would include specific reference to the management of lost rental income

## **Decision**

1. To note the Annual Assurance Opinion (2020/21)
2. To agree that the next scheduled update on former Northwards properties shall include information on the agreed action plan for the management of void and

empty properties, including the management of lost rental income.

### **AC/22/12 External Audit Progress (2020/21) Update**

The Committee considered a report of the External Auditors (Mazars) which discussed progress towards completion of the external audit of 2020/21 accounts.

Karen Murray (Mazars) reported that there had been a considerable amount of progress, such that Mazars were very close to completion of the work. Three particular areas were yet to be completed, namely the completion of 2020/21 Financial Statements work; the valuation of Property, Plant & Equipment (PP&E) Value for and work around cash balances. Mazars were in the process of working through a recently received set of accounts which it was hoped would help to resolve the small number of outstanding queries. Mazars were also awaiting soon to be announced guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) on the consideration of infrastructure assets. Ms Murray indicated that a number of recommendations would be put forward at the point that the audit is completed, in respect of the Council's measures of internal control to help streamline future external audits and facilitate completion more easily.

The Deputy Chief Executive and City Treasurer confirmed that the audit process had been a particular challenge this year and made reference to no local authority having signed off their accounts at time of the meeting. This was attributable to a number of factors, the most significant of which included changes to the accounting treatments around highways which had been a particular cause of the delay. In addition, the remote close down during the pandemic; single points of failure within the Finance team (due to an unavoidable staff absence); an increased focus on valuations and changes to audit and accounting standards had culminated in issues for all parties. She referred to a piece of work led by the Deputy City Treasurer focussing on lessons learnt which would, in particular, streamline future reporting around cash flow statements.

Discussions moved to whether there would be a knock on effect on the following year's external audit completion. The Chief Accountant provided an overview of the steps necessary to progress the closure of the 2021/22 accounts and the challenges this presented in view of the planned submission date of September 2022. The Committee therefore noted that a delay on completion of the audit was indeed very likely. In respect of capacity within the Finance team to assist with its completion, the Deputy City Treasurer advised that additional resource had been provided within the Council's Finance team, with added support from wider Finance Directorate colleagues. Additionally more input was planned around quality assurance measures prior to submission to the external auditors to ease the process. Ms Murray also referred to capacity issues from the perspective of the external auditors, which was largely attributed to their scheduled programme of work with other entities meaning that pauses in progress were, at times, unavoidable.

### **Decision**

1. To note the progress of the external audit of accounts 2020/21

2. To note that the finalisation of the external audit of 2021/22 accounts was unlikely to meet the September 2022 completion date.

### **AC/22/12 Risk Review: Adults Assurance Update**

The Committee considered a report of the Executive Director of Adult Services which provided an update on the actions taken to address risk in respect longstanding and partially implemented audit recommendations in relation to Adults Mental Health safeguarding and transitions from Children's to Adults social care.

The report therefore focussed on:

- Actions Taken to Develop the Social Work Transitions in Care Service and a summary of Next Steps; and
- Actions to support the reconciliation of mental health casework records across the Adult Service function and the Greater Manchester Mental Health Trust (GMMHT), as well as additional measures taken to provide added assurance

With regard to Social Work Transitions, significant progress across the system in respect of planning and preparation for the transition to adulthood was reported, which formed part of a wider programme of improvement activity. This included the development of new practice forums, an invigorated multi-agency focus to deliver an impactful and joined up approach to referrals and care delivery. Additionally, a service delivery improvement in respect of Care Act assessments for young people before or within their 18<sup>th</sup> year instead of at or following a young person's 18 birthday was reported. The Committee was also invited to note external assurance had been provided for the service following an OFSTED inspection of Special Educational Need and Disability (SEND) services in November 2021. The inspection had found leaders' clear vision for improving outcomes for children and young people with SEND; that appropriate and timely interventions were provided and good oversight of delivery including priorities for action had been maintained. Further priorities were also outlined in the meeting regarding earlier identification of young people approaching the transition to adult services and earlier assessment and review functions of young people with an Education Health and Care Plan to support the management of future demands on services. An expansion of the team was also reported in the form of two additional staff members who would be specifically recruited to deliver person focused planning arrangements.

With regard to the reconciliation of mental health casework and safeguarding referrals between social work and health colleagues, reference was made to the challenges of infection control measures arising from the pandemic on service delivery and the impact of GMMH's COVID business continuity plans to manage significantly increased demands on services. The Deputy Director of Adult Services spoke about time that had been invested in actions and resources to mitigate the complexities of reconciling records across two different recording systems, which was at the heart of the issue and was a common feature nationally across integrated health and care forums. Weekly and monthly reporting arrangements outlined in the report underpinned the process of record reconciliation, resulting in confidence that there were no gaps in the data and that the risks of omissions or errors had been addressed. In addition, further steps were being introduced around GMMHT staffing,

which included additional training input with regard to case-management recording as well as the development of the Council's own systems processes which were outlined in the report.

The Committee welcomed the work that had taken place around transitions in care services and stressed the importance of consistent oversight. With specific reference to the impact of the pandemic, a member commented that further efforts may be necessary to address the needs of those young people who had either reached or passed their 18<sup>th</sup> birthday during that time. In response, the Service Manager - Transitions confirmed that this had been identified as a priority for the service and a proposal was in place to deliver focussed activity to address those gaps, using the input of the newly expanded team as sufficient capacity would exist in the initial stages. Efforts would be made to work with affected families to rebuild a relationship of trust in service provision, including (as an example) the offer of input about their experiences as part of the ongoing journey of service improvement.

Noting that improvements had been reported in respect of timeliness of the first assessments, more detailed performance information was requested. The Service Manager - Transitions confirmed that referrals were prioritised on a needs-led basis and that whilst numbers had initially been low at the time of the introduction of monitored performance indicators, they had since doubled indicating a positive and healthy trajectory. Targets would be determined with the input of the Transitions Board, mindful that pathway planning often required a multi-agency focus where some challenges existed (e.g. the age at which a young person became eligible for a particular health services). With regard to the timeliness of follow up assessments, inter-agency service inputs were highlighted as crucial to the process leading up to those assessments. Further work was therefore planned to enable capacity to meet demand as part of planned practice-led improvement activity. Discussions moved to how future demands on services were determined. The Committee was informed that the Transitions team worked closely with colleagues in the Performance, Research and Intelligence Directorate to gather rich, high quality data on young people with an EHCP to establish whether input from adult social care or health services needed to be arranged to ensure care delivery at the best possible time, adding that feedback indicated that a lack of information, advice and guidance was the biggest source of anxiety for service users as they prepare for adulthood. In response to a question around capacity to deliver a whole system approach, the Deputy Director of Adult Services described the two predominant referral routes into adult social care services, namely transitions from children's social services and adults in later life experiencing levels of frailty. Therefore the service had adopted a range of collaborative interventions to develop an effective demand management strategy, supported by cross – directorate information sharing (which included population modelling) to better understand where and how demand will change in the future.

There was a discussion about the role of parents and carers, the Manchester Parents and Carers Forum and the Parent Carer Board which was co-chaired by the Transitions Service. The Committee was informed that whilst this was not specifically referenced in the report, input from the Forum sat at the very heart of service improvement in recognition of their crucial role.

On the subject of mental health casework, assurance was also sought in respect of



lessons learnt about the reconciliation of care systems as the move towards integrated care delivery continued. The Deputy Director of Adult Services referred to a range of developments that were underway to underpin future data sharing and systems integration in a safe and secure manner. In response to a question about safeguards and the mitigation of potential risks in relying on the manual transfer of casework records, the Deputy Director of Adult Services made reference to end to end safeguarding measures, which involved multiagency and clinical staff at referral meetings, which had been given external assurance following the recent audit. Information about that process would be circulated to the committee for information, in due course. The Deputy Director also agreed to share with the Committee, further statistical performance information on the delivery of staff training for social care and health colleagues, including scope, implementation and its evaluation.

There was a discussion about the delivery of Care Act responsibilities. The Deputy Director of Adult Services explained that those responsibilities had been delegated to GMMH so that multidisciplinary and clinical support to people with a mental health issue was available as part of a coordinated approach to care delivery. She asked the Committee to note that whilst this model provided the best service for the service user, it provided a degree of complexity in terms of the Council's own infrastructure.

The Deputy Leader with responsibility for Adult Services thanked the Committee for its input and spoke about the Service's ongoing transformation, adding that whilst that transformation had not yet concluded, she was reassured by the positive steps that had taken place, acknowledging the strong commitment that existed across the partnerships to deliver the highest quality care.

### **Decision**

To note the assurance updates provided.

### **AC/22/13 Work Programme and Recommendations Monitor**

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

### **Decision**

To agree the Committee's Work programme for the forthcoming municipal year.