

## **Audit Committee**

### **Minutes of the meeting held on 26 July 2022**

#### **Present:**

Councillor Lanchbury - In the Chair  
Councillors Curley and Russell  
Independent Co-opted member: Dr S Downs

#### **Apologies:**

Councillors Flanagan, Good, Simcock and Wheeler  
Independent Co-opted member: Dr D Barker

#### **Also Present:**

Councillor Akbar, Executive Member for Finance and Resources  
Alistair Newall, Mazars (External Auditor)  
Karen Murray, Mazars (External Auditor)

### **AC/22/21     Minutes**

#### **Decision**

To approve the minutes of the meeting held on 14 June 2022 as a correct record.

### **AC/22/22     Updated Draft Statement of Annual Accounts 2020/21**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided an update of the revised 2020/21 accounts containing the amendments detailed in the report.

The report advised that these accounts were updated from those reported to the 27 July 2021 meeting of the Committee and took account of any changes that had arisen since that time, including the findings of external audit.

The Committee were informed that before the audit could be concluded further changes may be required to these accounts due to a national accounting issue relating to the approach to the valuation of highways infrastructure, which has affected all Councils.

Officers clarified points raised by the Committee in relation to the purchasing of Personal Protective Equipment during the pandemic; the valuation of assets; and the assessment of infrastructure holdings for accounting purposes.

Officers also responded to questions raised in relation to the systems established for Looked After Children Accounts, including the audit control and assurance of these accounts, adding that the issue raised by a Member on General Data Protection Regulations considerations and paper bank account statements would be taken into account during the planned audit of those arrangements.

#### **Decision**

The Committee:

1. To note the amendments made to the annual accounts since they were reported to the Audit Committee in July 2021.
2. To approve the revised annual accounts including the accounting policies contained within them subject to the Deputy Chief Executive and City Treasurer working with finance staff, external auditors and the Executive Member for Finance to finalise any amendments as a result of the highways infrastructure issue and to report the annual accounts back to Audit Committee highlighting the changes made.
3. To agree to not amend the annual accounts in relation to investment property valuations as detailed in paragraph 2.20.
4. To agree to not amend the annual accounts in relation to the consolidation adjustment in the group accounts for leases as detailed in paragraph 2.46.

### **AC/22/23 Draft Audit Completion report (2020/21)**

The Committee considered the report of the External Auditors (Mazars) which presented the Draft Audit Completion report.

The report set out a narrative around:

- Providing an Executive Summary;
- Reporting the status of the audit;
- Information in relation to the audit approach;
- Internal control recommendations;
- A summary of misstatements; and
- Value for Money arrangements.

The Committee noted that this item had been considered and discussed in conjunction with the previous agenda item.

### **Decision**

To note the report.

### **AC/22/24 Treasury Management Outturn report 2021/22**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that updated the Members on the Treasury Management activities of the Council during the financial year 2021-22. Noting that Treasury Management in this context was defined as:

‘The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

The report set out a narrative around:

- Introduction and Background;
- Portfolio Position as at 31 March 2022;
- Review of Economic Conditions 2021-22;
- Treasury Borrowing in 2021-22;
- Compliance with Prudential Indicators and Treasury Limits;
- Investment Strategy for 2021-22;
- Temporary Borrowing and Investment for 2021-22;
- Current Market Conditions and Forward Fixing; and
- Conclusions.

Officers clarified points raised by the Committee in relation to Temporary Borrowing and Investment for 2021-22 and the reported benchmarking; and the approach and rationale to long-term borrowing to fund capital projects.

## **Decision**

To note the report.

### **AC/22/25 Internal Audit Assurance (Q1)**

The Committee considered the report of the Head of Internal Audit and Risk Management.

The report set out a narrative around:

- An update of progress on the agreed audit plan 2022/23; and
- Additional work assigned to the audit service and copies of the audit opinions issued in the period April 2022 to June 2022.

The Committee noted that a progress update on the period prior to this had been included in the Annual Assurance Report presented to Committee in April 2022.

Members requested that the Head of Internal Audit and Risk Management provide Committee with the Executive Summaries produced in relation to Adults Services described in Appendix One to the report.

The Head of Internal Audit and Risk Management responded to comments raised in relation to the arrangements regarding the School Financial Value Standard. He made reference to new arrangements for reporting related party transactions and that there was some assurance from this process given that only one transaction reported to audit did not pass this probity test. He further clarified the arrangements in relation to related party transactions and Academy schools, noting that these arrangements were external to the Council. The Committee were advised of the separate and distinct arrangements for the audit of Academies, noting that any issues arising would be reported and managed nationally by the Education and Skills Funding Agency, a Department for Education executive agency.

The Chair sought an assurance that the pace at which the Internal Audit Team had started the year would be able to be sustained throughout the year. The Head of Internal Audit and Risk Management stated that resources were being recruited permanently to continue this work.

### **Decision**

1. To note the report.
2. To request the Head of Audit and Risk Management undertakes review of the last 12 months planned audit work to report on how many executive summaries remain outstanding.

### **AC/22/26 Outstanding Audit Recommendations (Q1)**

The Committee considered the report of the Head of Internal Audit and Risk Management that described 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”.

The report explained that for Manchester City Council this system included reporting to Directors and their management teams, Strategic Management Team, Executive Members and Audit Committee.

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

Members discussed the potential need to review the outstanding long-term recommendations, noting that the original risk identified may have changed significantly over time as a result of changes in circumstances and legislation. The Head of Audit and Risk Management noted the issues raised by a Member regarding the outstanding mental health recommendation, adding that it maybe timely to re audit this area of work.

### **Decision**

To note the report.

### **AC/22/27 Prudential Framework Changes**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided information on the revised CIPFA Prudential and Treasury Management Codes of Practice.

The Committee were informed that the revised codes were published in late 2021 and contained a number of significant changes which the Council would need to

implement in time for the Treasury Management Strategy Statement for 2023/24, and which would therefore form part of the budget presented to members in early 2023.

The report described the main changes in the code and the implications for the Council, including the governance and assurance arrangements.

The Committee welcomed the inclusion of members of the Resources and Governance Scrutiny Committee to be included in the proposed training for Members. The Chair suggested that all Scrutiny Committee Chairs should be invited to this training as this would assist with the scrutiny of the Council's budget later in the year.

The Chair stated that she supported the proposed changes to the Council's Constitution in relation responsibility to monitor the performance of the Treasury Management function, detailed at section 7 of the report.

### **Decision**

1. To note the report.
2. To agree that the training for members should be extended to members of the Resources and Governance Scrutiny Committee and other Scrutiny Chairs.

### **AC/22/28 Risk Review Schools Assurance**

The Committee considered the report of the Head of Internal Audit and Risk Management that described 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 noted that the Audit Committee had requested an update on school assurance in response to recent audit reviews and issues reported through the annual Audit Opinion for 2021/22.

Following questions and comments from Members the Head of Audit and Risk Management stated that the need to report recent audit reviews and progress against issues identified to the Committee was understood. He described that the process for following up audit recommendations was best achieved by visiting the schools and meeting with the Business Manager or Headteacher. He stated that if issues needed to be escalated this was done through the Chair of Governors. He clarified that the recommendations arising from school audits were shared with both the relevant Business Manager, Headteacher and Chair of Governors.

In terms of support to schools, recognising the challenges described by members, particularly those experienced by smaller schools, the Head of Audit and Risk

Management described that Budget Support Officers were available to provide advice. He further advised that schools were encouraged to work in clusters to support this activity and provide support, particularly linking smaller schools with larger ones.

The Director of Education provided examples of where the cluster approach described had delivered positive outcomes for schools and referenced the benefits achieved through economies of scale when purchasing. She further advised that the Department for Education provided a resource to schools to obtain advice and support in relation to procurement. She further commented that issues arising through the school's assurance process were addressed through regular briefings with Business Managers, Heads and Chairs of Governors.

### **Decision**

To note the governance arrangements and oversight for schools and the progress update on school audit recommendations.

### **AC/22/29 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.