

## **Audit Committee**

### **Minutes of the meeting held on 18 October 2022**

#### **Present:**

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

#### **Apologies:**

Independent Co-opted member: Dr D Barker  
Councillor Good

#### **Also Present:**

Councillor Akbar, Executive Member for Finance and Resources  
Councillor Stanton, Deputy Executive Member for Finance and Resources.  
Alistair Newall, Mazars (External Auditor)

### **AC/22/38 Minutes**

#### **Decision**

To approve the minutes of the meeting held on 27 September 2022 as a correct record.

### **AC/22/39 Oral update: the unaudited 2021/22 Accounts**

The Deputy Chief Executive and City Treasurer gave an oral update on progress towards finalisation of the unaudited 2021/22 Annual Accounts.

The key points which the Committee was invited to note were:

- The unaudited accounts (2021/22) have been published and are open for public inspection until 4 November 2022.
- The Whole of Government Accounts (WGA - 2020/21) have been completed for submission to the Government, as part of the consolidated audited accounts of organisations across the UK public sector.
- External Auditors were on-site and work has commenced (2022/23 accounts) and was underpinned by regular meetings with the Deputy Chief Executive and City Treasurer and Deputy City Treasurer to oversee progress of the audit which was said to be on track in terms of the revised timetable.
- The implementation of a 'statutory override' (a temporary change to legislation) was anticipated in relation to the accounting methodology for highways assets in light of its impact on the finalisation of the 2020/21 accounts, nationally. A delay was therefore possible in relation to the completion of the current financial year's accounts (2022/23), with timescales yet to be determined.
- Sign-off of the external audit of the unaudited 2021/22 accounts was anticipated for early next year, this was however dependent on the outcome and resolution of the accounting methodology issue.

In a discussion about likely timescales for the statutory override, the Deputy City Treasurer outlined the steps involved based on current understanding of the timescales involved for the override's enactment itself, to the interpretation of guidance to undertake technical adjustments for incorporation into the accounts. Based on current knowledge, sign off as anticipated in the early new year. The Committee noted this.

### **Decision**

To note the update.

### **AC/22/40 Oral update: External Audit Progress (Mazars)**

Having duly noted the Deputy Chief Executive and City Treasurer's update on the current position of the 2021/22 unaudited accounts, the Committee heard from Alistair Newall (Mazars) about the commencement of Mazar's audit work on the accounts (2022/23).

Mr Newall confirmed that audit work had commenced and that a good experienced team of six auditors was in place (working a mixture of on-site and remotely) with view to completion of the audit of accounts within two months. He indicated that the early focus on planning and the identification of testing samples in the early stages had had a positive impact and that lessons learnt from previous challenges around resource management had proved effective.

A further update on the progression of external audit would be brought to the next meeting.

### **Decision**

To note the progress outlined.

### **AC/22/41 Oral Update: Appointment of External Auditors**

The Deputy Chief Executive and City Treasurer updated the Committee on progress on the appointment of an external auditor.

The key points which the Committee was invited to note were:

- That the first stage of procurement is complete and as such, six audit firms had been offered contracts (one of whom was Mazars)
- The next stage of the procurement process was the allocation of those firms to individual local authorities, in line with PSIA arrangements. An announcement was expected within the next couple of months, subject to no complexities arising from the PSIA consultation process.
- The fees would increase at a rate of approximately 150% when compared to previous rates. Whilst the impact of the fee increase on the budget was as yet unknown, it was felt that this would support the delivery of future audit work of a greater quality and breadth than was previously possible.

The Deputy Chief Executive and City Treasurer responded to a question about how the decision to allocate is made. She explained that the process followed was part of established PSIA procurement procedures where an assessment was undertaken to determine which provider was best placed to deliver the work across the country. For example in Greater Manchester the request was for a firm that could deliver audit work across all of the Greater Manchester Authorities in view of the extent of collaboration across the boroughs.

The Committee was invited to note that of the six firms who had progressed to the second stage of the procurement process, a number of whom's names were known to the Council, with two new entrants to the market were included on the list. No decision could be made until the consultation period of the PSIA allocation process had elapsed and the responses subsequently evaluated. Members were also invited to note that the PSIA had sought through its tendering processes to actively encourage new entrants to the market, through the structuring of contracts specifically to encourage bids from firms who did not yet have a long track history of local government audit work but were seeking to become established providers.

### **Decision**

To note the update.

### **AC/22/42 Internal Audit Assurance (Q2)**

The Committee considered a report of the Head of Audit and Risk Management which provided an update on progress on the agreed Audit Plan in the second quarter of the 2022/23 municipal year. The report also referenced additional work that had been assigned to the Audit Service and copies of the Audit Opinions issued during the period July 2022 to September 2022 as an appendix.

The report provided information about:

- The delivery of the Audit Programme
- Resourcing and the Audit Plan
- Children's Services and Education: Management Oversight and Supervisions, Foster Care Payments and the OfSTED Improvement Plan, Supporting People, Elective Home Education, Safer Recruitment in Schools, School financial Health Checks and Follow up Audits for individual schools with a limited assurance opinion.
- Adult Services: Management oversight and supervisions, payments, adaptations and Adults Quality Assurance Framework,
- Corporate Core and Information Governance: Core, ICT and Information governance
- Neighbourhoods; Growth and Strategic Development: Pest Control, Youth and Play Provision Transition, Avro Hollows, Building Control, Housing Operations – Consumer and Building Safety Regulations and Highways Pothole Grant activity
- Procurement, Contracts and Commissioning: Social Value, Our Town Hall -

Management of Work Package Delivery, Adult Social Care: Contract Governance, The Factory - Management of Work Package Delivery and Payments, New Contract Management System, Counter-Fraud and Investigations (proactive and reactive corporate cases), and Other Reactive Investigations including Business Grants, Council Tax Reduction Scheme and Housing Tenancy

The Head of Audit and Risk Management introduced the report outlining the above points of consideration and responded to questions and comments from the Committee.

In response to a comment about the time taken to implement the reviewed Audit and Risk Management Service's staffing structure, the Head of Audit and Risk Management responded that following advice from HROD, the decision had been taken to widen the process to a whole service review. The scale of change and complexities around staff migration had led to challenges in finalising the role descriptors for the Health and Safety team. However, these had very recently been agreed. Next steps were described as sign off from HROD and progression to the consultation period.

In response to a query about how costs to the Local Authority were recovered where it was under a statutory duty to intervene in remedial work for dangerous buildings, the Head of Audit and Risk Management advised that work in that area had not yet commenced. The Committee recognised that where those costs were attached to the sale of a particular piece of land, the time taken for those funds to be returned to the Director of Planning, Building Control's budget could be in some cases, extremely lengthy and sought to explore what actions could be taken to manage those deficits. The Head of Audit and Risk Management agreed to explore whether this matter could form part of the scope of Internal Audit's work in that area.

In response to comments about the number of limited assurance opinions issued to schools around compliance with 'safer recruitment' policies, the Head of Audit and Risk Management explained that whilst the Local Authority offered training to schools, officers were seeking to explore how compliance assurance could be strengthened. Discussions moved to schools financial health checks. The Committee noted the progress described in the report and asked what measures were being undertaken to ensure that guidance on financial compliance had been appropriately strengthened, including other Authority approaches. The Head of Audit and Risk Management explained that samples used the report were to a limited degree, skewed, in that they comprised of a mixture of targeted and randomly selected schools with some selected purely on the basis that they had not been visited for an audit of any given capacity for some time. Capacity as a result of staff vacancies and the segregation of duties within smaller schools remained a prevalent issue to be resolved. The Head of Audit and Risk Management added that whilst these findings were not uncommon across the wider school estate, there was no room for complacency, and as such, officers would seek to explore to what extent other authority's approaches had achieved. However as both the budget and estate had reduced over the recent years, the ability of the Authority to provide support and challenge to schools had declined. In terms of action points, the Authority would be writing to all schools about the findings of the thematic audit and following issue of

the final audit report (an Executive Summary of which would be provided to the Committee), next steps would be agreed. The Deputy Chief Executive and City Treasurer added that majority of the Local Authority's school estate were primary schools where challenges around divisions of duty were most likely to occur. Additional guidance on how to practice safely was therefore being developed in light of pressured resources within the schools sector.

There was a discussion about the volume and complexities of various grant funding schemes and their reliance on assurance processes to be overseen by internal audit and finance capacity resources. The Deputy Chief Executive and City Treasurer described the challenge and additional burden this placed on the services as a direct result of the associated governance and the assurance processes which underpinned them. The committee was advised that different government departments and funding institutions have different requirements and processes.

The Head of Audit and Risk Management responded to questions about the report's reference to ICT's Vulnerability, and Asset Management programmes, noting the issue of a reasonable assurance opinion. The Deputy Executive Member for Finance and Resources referred to the refreshed ICT and Digital Strategy which would be considered at the upcoming meeting of the Executive for approval and would address the points raised in the audit. A rollout of staff training on the new Data Strategy, a strand of which would establish a solution for the retention of important documents, whilst adhering to regulatory framework. A bespoke training exercise for elected members was also planned. In response the management of vulnerabilities he described a reasonably defensible position with further information to follow in due course. With regard to the Authority's website and Customer Relations Management (CRM) system, these too were under review, with a view to improving accessibility for residents, the vision being that CRM would eventually accommodate virtually all resident-facing Council Services and improve resident's digital experience

## **Decision**

To note the update.

## **AC/22/43 Outstanding Audit Recommendations (Q2)**

The Committee considered a report of the Head of Audit and Risk Management which summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations in accordance with Public Sector Internal Audit Standards.

In addition to the report's introduction and background information, the following information was also included:

- Current Implementation Position Update
- Outstanding Recommendations – over 12 months
- Significant / Critical Overdue Recommendations – 6 to 12 months
- Significant / Critical Overdue Recommendations – 1 to 6 months
- Reporting timescales for recommendations which are as yet not due a response.

With reference to outstanding recommendation in relation to Mental Health Casework, the Head of Audit and Risk Management advised that training of staff would take place during 21 – 28 October 2022. A member questioned whether consideration given been on the likely impact of scheduling the training during the school's half term holidays and could be reflected in the evaluation of it's uptake. The Executive Member for Finance and Resources added that whilst he was satisfied to see that the training was in place, the point made about its scheduling was valid. He suggested that the next scheduled report, should provide the committee with the appropriate level of assurance that eligible staff had undergone the appropriate training in order that the Committee could be satisfied that that the recommendation had been fully implemented. The Head of Audit and Risk Management agreed to pass those comments on to the Director.

In respect of foster care overpayments, the Committee was asked to note that an audit of the foster care service was currently in progress and, as such, the Committee's earlier recommendation on foster care payments would be addressed in full in the forthcoming report. The audit was described as a full scale analytical review of data population for such payments, with reasonably positive results yielded to date.

In respect of the overdue recommendation associated with Avro Hollows Tenant Management Organisation (TMO), the Head of Audit and Risk Management gave clarification that a 3 month priority for recommended interventions to address the identified gaps in assurance had been passed to the TMO and the Director of Strategic Housing.

The Committee noted the progress and timeline on the introduction of a centralised contract management system. In response to the partially-implemented overdue significant recommendation for Waivers and Contract Extensions, a member expressed the view officers should be invited to attend the Committee and so that members were able to get a better understanding of the barriers to implementation. The Deputy Chief Executive and City Treasurer commented that there were occasions where waivers and / or direct allocations were an appropriate procurement method. She gave assurance that effective measures were in place to monitor contract extensions and waivers and support informed decision making, adding that where it was agreed that a procurement exercise was indicated, this was duly followed up. She also said that that the flexibility to extend contract arrangements formed part of the Council's contract awarding practices and benefited the Council particularly for longer contract awards.

## **Decision**

To note the report

## **AC/22/44 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.

A member asked that the Corporate Risk Register and the Management of Inflationary Risk reports currently scheduled for the Committee's January 2023 meeting be brought forward to the next meeting of the Committee.

A member noted that the report on governance and management of complaints was scheduled for the committee's next meeting. He stated that he was aware that the Complaints function was being used in relation to the management of requests for information that related to the extension of the Christies car parking scheme and questioned whether the complains function was an appropriate vehicle to manage such requests. He asked whether the scheduled report could include an update on that particular matter.

The Committee suggested the following additions to its annual training event:

- ICT systems and governance considerations
- Treasury Management
- Capital / Revenue budgets

The Chair suggested that a paper be brought to the next meeting with an overview of proposed items to be considered in the December training event. In the interim, the Deputy Chief Executive and City Treasurer agreed to circulate a note to members of the committee which listed Frequently Asked Questions in relation to capital and revenue budgets.

### **Decision**

To agree the Committee's Work programme, subject to the amendments above.