

Audit Committee

Minutes of the meeting held on 25 July 2023

Present:

Councillor Lanchbury - In the Chair
Councillors Curley, Kilpatrick, Noor, and Stogia

Independent Co-opted member: Dr S Downs

Apologies: Councillor Simcock, Dr D Barker

Also Present:

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

AC/23/15 Minutes

Decision

To approve the minutes of the meeting held on 13 June 2023 as a correct record.

AC/23/16 External Audit of Accounts 2020/21

The Committee received a report of the External Auditors (Mazars)

The report provided:

- An Executive Summary
- A summary of the audit's overall status
- An overview of the audit approach
- A discussion of findings of significance
- A list of Internal Control recommendations
- A summary of misstatements; and
- Information about Value for Money arrangements

Karen Murray introduced the report and explained that essentially the report was an update to the information Mazars had previously discussed in their report to the Audit Committee in July 2022 in which reference had been made to outstanding information on the consolidation of Group Accounts as well as infrastructure arrangements.

Ms Murray highlighted the information about amendments to infrastructure that had not been made. It was confirmed that, in line with the recent statutory override, the Council's accounting policies had been changed and whilst those impact had been calculated it had been subsequently determined that the impact of those changes were immaterial to the overall infrastructure value and the decision had been made not amend. The Committee endorsed this approach.

Changes were also highlighted in respect of consolidation adjustments to the Group accounts.

Ms Murray gave emphasis to the report containing no new recommendations regarding internal control and that the management responses that were previously provided were extant. She also outlined next steps in terms of the issue of the associated audit report, completion of which was described to be imminent.

The Committee conveyed its thanks to Ms Murray and her team at Mazars as well the Council's Finance team for the work undertaken to oversee completion in a particular challenging landscape.

Decision

To note the report.

AC/23/17 Final Statement of Accounts 2020/21

The Committee received a report of the Deputy Chief Executive and City Treasurer that updated Members on the final 2020/21 accounts and associated amendments. The accounts had been updated from those reported to the 26 July 2022 Committee to take account of any changes that had arisen since that time and referred to national accounting changes to the reporting of infrastructure assets that had delayed the final audit of the accounts and had affected all Councils.

In addition to the background and introduction, the report included:

- A summary of the amended accounts including changes to the Main Accounting Statements since the July 2022 updated accounts
- An overview of unadjusted errors
- An outline of next steps

The Committee was asked to

- To note amendments to the annual accounts as detailed at Appendix 1.
- To agree the proposal not to amend the annual accounts in respect of a recalculation, on the basis that the value had been deemed immaterial.

The Deputy City Treasurer introduced the report with reference to earlier submissions to the Committee. He also outlined the timescale for progression of the finalisation of the 2021/22 Annual Accounts and the commencement of audit work on 2022/23 Annual Accounts.

The Committee conveyed its thanks to the Finance team and agreed the recommendations.

Decision

To note the report.

AC/23/18 Capital Outturn 2022/23

The Committee received a report of The Deputy Chief Executive and City Treasurer which provided confirmation of the final outturn and financing of capital expenditure for 2022/23. The committee was invited to note the information provided in the context of the report concerning the Final Statement of Accounts for 2022/23.

Decision

To note the report.

AC/23/19 Revenue Outturn 2022/23

The Committee received the report of the Deputy Chief Executive and City Treasurer which set out confirmation of the final outturn position of for the Council's revenue budget in 2022/23, which the Committee was asked to consider in the context of the Final Statement of Accounts for 2022/23.

Decision

To note the report.

AC/23/20 Treasury Management Outturn 2022/23

The Committee received a report of the Deputy Chief Executive and City Treasurer which discussed the Council's Treasury Management activities during the financial year 2022/23.

The report included information on:

- The background and context of the report
- The Council's Portfolio Position as at 31st March 2023
- A Review of Economic Conditions 2022-23
- An outline of Treasury Borrowing in 2022-23
- The Investment Strategy for 2022-23
- An overview of Temporary Borrowing and Investment for 2022-23
- The Implications of Rising Interest Rates; and,
- Concluding comments

The Deputy City Treasurer introduced the report and responded to questions about Salix funding, temporary borrowing, the implications of the cost of carry and the Council's reviewing and reporting strategy.

The impact of breaches was also discussed. The Deputy City Treasurer stressed the importance of transparency in this area and explained that these were largely attributable to unscheduled deposits or payments. He also outlined the principles on which the account was managed.

The Deputy Chief Executive and City Treasurer spoke about the importance of the report's narrative and how this aligned with reports to the Resources and

Governance Scrutiny Committee on the Council's commercial activity. She referred to the recent focus on Local Authority failures in respect of treasury management and / or joint venture activities. She referred to the Office for Local Government's recent consultation on a list of Key Performance Indicators and the role of the Audit Committee and invited comments on future areas of training, skills and information in this area. The Chair indicated that this could be a matter for consideration in the Committee's annual training event in December.

Decision

To note the report.

AC/23/21 Draft Statement of Accounts 2022/23

The Committee considered a report of the Deputy Chief Executive and City Treasurer which presented the signed 2022/23 Draft Annual Accounts. The report presented information on the structure of the accounts, highlighted key issues and provided a summary of key accounting statements. The Committee was invited to note that the presently unaudited accounts would be made available for public inspection from 1 August 2023.

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

- The structure of the Annual Accounts
- A discussion of key considerations for the Accounts
- An Accounts Summary with specific reference to Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet, the Collection Fund and Group Accounts
- The timeline of the Annual Accounts process

The Committee listened to a presentation by the Deputy City Treasurer and the Head of Corporate Finance about the progression of the 2022/23 Accounts which discussed:

- The Accounts Timetable
- The context of National Challenges
- DHLUC proposals to clear the audit backlog
- A Summary of Local Challenges
- Improvements
- Key points of consideration in the narrative report
- General Fund Revenue Outturn 2022/23
- Key Variations from Budget 2022/23
- The Housing Revenue Account Outturn 2022/23
- Key aspects of the Capital Outturn 2022/23
- The Comprehensive Income and Expenditure Statement
- Movement in the Reserves
- The Council's Balance Sheet
- Usable Reserves

The Deputy City Treasurer responded to questions about the capital outturn, associated budget adjustments, management of borrowing, the reserves strategy and the impact of pay awards.

The Executive Member for Finance and the Deputy Chief Executive and City Treasurer expressed their thanks to the Finance team in producing the statement in a particularly challenging landscape.

Decision

To note the unaudited Annual Accounts for 2022/23 as signed by the Deputy Chief Executive and City Treasurer.

AC/23/22 Internal Audit Update – Quarter 1

The Committee received a report of The Head of Audit and Risk Management which provided an update of the progress on the agreed audit plan and detailed assurance opinions issued in the first Quarter of 2023/24.

In addition to the background and context, the report included:

- An outline of progress and delivery of the Audit Programme
- Audit assurance findings, risks and issues with specific reference to Payment Systems and Processes, Schools Financial Value Standards (SFVS) and Related Parties, Housing Services, Commercial and Contracts, and Climate Change.

The Head of Audit and Risk Management introduced the report with reference to its new format and enhanced focus on key issues arising from audit work and the incorporation of other sources of assurance. He referred to the Council's robust Overview and Scrutiny function which through established reporting arrangements provide assurance on a variety of Council functions.

In response to the new format, a member suggested added clarity could be given in respect of audit reviews and follow up activity.

In response to the report's discussion about a backlog of payments within the Council social care system (Liquid Logic) to providers, it was explained a number of payments had been actioned outside of the system to mitigate cashflow impacts on providers, where indicated. Reference was made to the associated challenge and complexity around payments outside of the establish process was also discussed. The deputy City Treasurer added that a working group had been constituted to review payment processes so that issues are identified and resolved at the earliest possible opportunity.

In respect of controls that are in place for any such transactions valued over £20,000 in the schools sector, the Head of Audit and Risk Management gave emphasis to the role of Governor oversight and challenge, to address concerns over transparency, in particular where payments to family members were found. He outlined a number of

planned actions to support schools in strengthening their governance arrangements.

With regard to the reports discussion about fire risk, the Head of Audit and Risk Management gave assurance that whilst those issues were of concern, he was satisfied that the challenge around identified compliance matters were well understood by managers and that there was a plan in place to address those concerns. He added that the key consideration for him was centred on the tracking and implementation of identified actions to address the issues around fire risk as well as the procedures that are in place to resolve and prevent a recurrence of outstanding works. The Deputy Chief Executive and City Treasurer gave assurance that the matter was considered with the highest possible regard and referred to the scope of work being undertaken by colleagues in Housing Operations to resolve a number of legacy issues since returning in-house. She referred to earlier engagement with the Regulator adding that a clear plan had been established with robust oversight from the Housing Improvement Board in terms of implementation. The Committee agreed to a further update on this matter being included in the next scheduled update (Quarter 2) planned for October 2023 with a focus on likely timescales for completion.

Discussions moved to the issue of damp and mould. The Head of Audit and Risk explained that a plan was in place to ensure that the Council remained cognisant of developing regulatory and legislative requirements as well as other requirements for Housing Services, including matters concerning procurement and contracts and that further work around contracts assurance. Further information on this would be brought to a future meeting of this committee.

The Chair asked a question about the aids and adaptations delivery model with regard to assessment, design and implementation. The Head of Audit and Risk Management confirmed that management were seeking to address the delays in service delivery performance and that a number of recommendations had been made arising from the audit.

Decision

1. To note the report.
2. To note the intention to provide a further update on Housing Services findings in the next scheduled update.

AC/23/23 Outstanding Audit Recommendations – Quarter 1

The Committee received a report of the Deputy Chief Executive and City Treasurer This report summarises the implementation position at the end of June 2023

In addition and introduction and background, the report provided a summary of overdue recommendations:

- over 12 months old,
- 6 – 12 months old; and
- 1 – 6 months old

The Head of Audit and Risk Management introduced the report with a particular focus on recommendations around monitoring and reporting of payment processes in Children's services which had been integrated into a new audit in view of ongoing challenges and complexity with foster payments. He gave assurance that a clear line of sight would be implemented to demonstrate progress on historic recommendations.

Reference was also made to outstanding recommendations for Avro Hollows Tenant Management Organisation (TMO) and next steps. The Committee noted that a meeting had been scheduled with the Chair of the Board, the Head of Housing Services and the Head of Audit and Risk to discuss ongoing issues in respect of repairs, governance arrangements and its relationship with the Council. It was clarified that concerns over fire risk and damp or mould were not particular areas of concern for the TMO.

Decision

To note the report.

AC/23/24 Work Programme

The Committee considered a report of the Governance and Scrutiny Support Unit which set out its future Work Programme for the remainder of 2023/24 municipal year.

Decision

To note the report and approve the work programme.