

## **Audit Committee**

### **Minutes of the meeting held on 13 February 2024**

#### **Present:**

Councillor Lanchbury - In the Chair  
Councillors Kilpatrick, Noor and Simcock

Independent Co-opted members: Dr D Barker and Dr S Downs

**Apologies:** Councillor Curley

#### **Also Present:**

Councillor Akbar, Executive Member for Finance and Resources  
Suresh Patel, Engagement Partner, Mazars  
Amelia Salford, Senior Manager, Mazars  
Itai Mafusire, Assistant Manchester, Mazars

#### **AC/24/01 Minutes**

##### **Decision**

The minutes of the meeting held on 28 November 2023 were approved as a correct record.

#### **AC/24/02 Letters from those charged with Governance**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that described that as part of the audit of the accounts, the External Auditor requested information from the Deputy Chief Executive and City Treasurer and the Chair of the Audit Committee in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations.

The report provided the responses issued to the External Auditor from (A) the Audit Committee Chair and (B) Deputy Chief Executive and City Treasurer for the audit of the 2022/23 accounts.

##### **Decision**

To note the letters to the External Auditor agreed by the Audit Committee Chair and the Deputy Chief Executive and City Treasurer.

#### **AC/24/03 Audit Strategy Memorandum**

The Committee received the report from the External Auditor (Mazars) Audit Strategy Memorandum for Manchester City Council for the year ending 31 March 2023. The purpose of this document was to summarise their audit approach, highlight significant audit risks and areas of key judgements and provide the Council with the details of their audit team.

The report described that it was fundamental requirement that an auditor was, and was seen to be, independent of its clients, section 8 of the report also summarised their considerations and conclusions on our independence as auditors. Mazars consider two-way communication with Manchester Council to be key to a successful audit and important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- Sharing information to assist each to fulfil our respective responsibilities;
- Providing Manchester Council with constructive observations arising from the audit process; and
- Ensuring that Mazars, as external auditors, gain an understanding of the Councils attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Manchester City Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

The Deputy Chief Executive and City Treasurer paid tribute to Mazars, the Head of Audit and Risk Management and officers in the Finance Team for their continued efforts. She further proposed that the submission to the national consultation on backstop arrangements that had been launched by the Government be provided to the March meeting of Audit Committee, noting that the formal consultation was scheduled to close on 7 March 2024. (The Department for Levelling Up, Housing and Communities had launched a consultation on its plans to tackle local government audit delays). She stated that she and all officers took the responsibility of delivering timely accounts very seriously, adding that delays to this were a national issue and not unique to Manchester. She stated that she remained committed to having the accounts audited within the relevant financial year going forward.

In response to a question the Engagement Partner, Mazars gave an assurance that work was ongoing regarding the auditing of the Greater Manchester Pension Fund. He further confirmed that wider financial considerations and pressures were taken into account when determining Materiality, noting that Materiality was an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. The Deputy Chief Executive and City Treasurer stated that that the Budget reports to be considered at Executive that week presented a balanced budget for 2024/25, however challenges in future years were recognised and planning for this had commenced.

## **Decision**

To note the report.

### **AC/24/04     Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that explained the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2023/24 annual accounts.

The Head of Corporate Finance commented that there was a significant undertaking required to comply with the International Financial Reporting Standards (IFRS) 16 Leasing requirements and assured the Committee that work on this had commenced to identify the necessary leases.

The Deputy City Treasurer clarified the approach to the assessment of Highways depreciation in terms of accounting purposes and the valuation of these as an asset. The Engagement Partner, Mazars commended the Committee for consideration this report, adding that this was not typical across other authorities.

## **Decisions**

The Committee:

1. Approve the accounting concepts and policies that will be used in completing the 2023/24 annual accounts.
2. Note the critical accounting judgements made and key sources of estimation uncertainty.

### **AC/24/05 Internal Audit Assurance (Quarter 3)**

The Committee received the report of the Head of Audit and Risk Management that described that the Internal Audit section delivered an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminated in the Annual Head of Internal Audit Opinion and an Annual Assurance Report.

This report provided an update of progress on the agreed audit plan and details of assurances from the Internal Audit Service for quarter three 2023/24.

The Head of Audit and Risk Management stated that further information on the substantial assurance for the Manchester Hospital Schools would be provided following the meeting at the request of the Committee.

The Head of Audit and Risk Management said that the 70 school to be audited by the end of July were schools selected as not having had much previous attention or engagement with audit. He confirmed that the same methodology would be applied to allow for comparators to be identified. The Deputy Chief Executive and City Treasurer said that a substantive report on the subject of assurances and schools would be submitted to the Committee at an appropriate time, adding that there was a significant amount of work in this area underway.

The Head of Audit and Risk Management commented that the policy regarding officers and hospitality was clear, adding that officers should engage with their line managers to seek permission before accepting any gift of hospitality. He said that it provided a sensible framework established on sound principles.

The Head of Audit and Risk Management commented that the challenges of recruitment were sector wise and not unique to Manchester and work was ongoing to

address this.

The Head of Audit and Risk Management stated that the issues identified in the paper in relation to the audit of Direct Payments would be followed up.

The Head of Audit and Risk Management informed the Committee that Council staff were deployed to check contractors' performance to ensure that the appropriate assurances were obtained, noting the comments made regarding waste and street cleansing and housing contractors. He clarified that the information provided in the report related to street cleaning and not waste. He clarified that the purpose of the audit was to check the data that the contractor was submitting. He said this model and approach had identified improvements that were required in performance data recording by housing contractors and repairs. With regard to fire risk assessments, he said that further details would be provided following the meeting. He said that the audit opinions and updates were considered by the Housing Improvement Board. He stated that those relating to schools were provided to the relevant Director and Executive Member, adding that the Executive Summaries are in the public domain.

The Executive Member for Finance and Resources reassured the Committee that the officers in the Neighbourhood Teams did check that street cleansing work undertaken by Biffa was completed to provide an additional level of assurance.

The Chair, noting the discussion regarding officers and gifts and hospitality said that this should not dissuade officers from engaging and working with partners across the city. She further commented that different departments and services should use audit assurances as an opportunity to review and where appropriate refresh their systems to improve ways of working and she was pleased to see in the improvement plans that some departments had.

The Chair commented that it was important to articulate and promote the depth of work that was undertaken by the Internal Audit Team to provide an assurance that this work was being delivered and reported with clear actions identified where appropriate.

## **Decision**

To note the report.

### **AC/24/06 Outstanding Audit recommendations (Quarter 3)**

The Committee received the report of the of the Head of 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.

This report summarises the implementation position at the end of December 2023. The Chair commented that if the recommendation relating to Avro Hollows Tenants Management Organisation (TMO) was still outstanding by the time this is next reported to the Committee, that the relevant Director and Executive Member attend the Committee. The Head of Audit and Risk Management informed the Committee that he was due to meet with Avro Hollows imminently, along with the Director of Housing to discuss this recommendation as part of a wider discussion around improvements. He further added that he was confident that the recommendation relating to Privacy Notices would be fully implemented by the time of next reporting.

Following a discussion regarding historical outstanding recommendations, particularly surrounding the issues of Adults and Mental Health that had been reported to the Committee, and the importance of not losing sight of these, the Head of Audit and Risk Management informed the Committee that these had been incorporated into wider pieces of work such as the Better Outcomes Better Lives programme and the Greater Manchester Mental Health Trust Improvement Plan. The Committee suggested that when this did occur it should be articulated in the tracker so there was a clear audit trail.

The Head of Audit and Risk Management said that a new contracts management system was due to be launched and this would assist with the recording of social values outcomes, and this would provide consistent monitoring and evaluation. He added that the banked hours of historical contracts would be picked up.

### **Decision**

To note the report.

### **AC/24/07 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.

The Chair stated that the date of the March meeting had been changed to 28 March to finalise the accounts. The Head of Audit and Risk Management commented that the date of the April meeting will need to be moved to a later date.

### **Decision**

To note the report and approve the work programme, noting the above comments.