

Audit Committee

Minutes of the meeting held on 23 April 2024

Present:

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

Independent Co-opted members: Dr S Downs

Apologies:

Dr D Barker

Also Present:

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

AC/24/08 Minutes

Decision

The minutes of the meeting held on 13 February 2024 were approved as a correct record.

AC/24/09 Annual Audit report and Completion Letter 2022/23

The Committee considered the report of the External Auditors (Mazars) which present the Audit completion report for the year ended 31 March 2023.

The report included:

- An Executive Summary
- An explanation of the audit's status
- An overview of the audit approach
- A summary of significant findings
- A discussion on Internal Control mechanisms
- A summary of misstatements
- A discussion on Value for Money

Suresh Patel (Partner, Mazars) and Amelia Salford (Senior Manager, Mazars) introduced the report and responded to questions and comments from members of the committee.

A member asked about the report's discussion about the Manchester Heat Network Group and Mazar's decision to challenge the Council's judgement not to consolidate the Manchester Heat Network in the Group accounts. In response the Committee was advised that the Council had subsequently agreed to prepare a revised set of draft group accounts which now included the Manchester Heat Network as a component in view of the cumulative impact of the Network's asset value sitting at

just under £25M and therefore close to the materiality threshold.

Reference was made to the report's discussion of land, buildings and surplus assets which had not been formally revalued or indexed during the 2022/23 financial year. It was clarified that this had not been due to an oversight but was instead as a result of the rolling programme of this type of activity. Work had therefore been undertaken to provide assurance around such assets to progress the audit and would in future be done in advance.

There was a discussion about transactions that Mazar's had highlighted in respect of the Manchester Heat Network and The Factory International. Reference was made reference to a related party transaction within the Council's financial statements that had not been disclosed. It was explained that following discussion with the Council's Finance team it had been agreed that as a result of the evolved growth and impact of those entities, they would be added to the Register of Significant Partnerships. The Committee was mindful that the Register is routinely considered by both this committee and the Resources and Governance Scrutiny Committee.

Clarification was given that queries that the external auditors had made in relation to Private Finance Initiatives (PFI) were in respect of the accounting treatment of the schemes' models and associated valuations, and not were not in relation to any assessment of risk within the delivery outputs of the PFIs themselves.

The Chair, in acknowledging the complexities around matters related to the Group Accounts and the Greater Manchester Pensions Fund thanked the team at Mazars and the Councils Finance team for their diligence in completing that work.

The Committee noted the report.

Decision

To note the report.

AC/24/10 Updated Annual Accounts 2022/23

The Committee received a report of the City Treasurer which set out information on the key audit adjustments to the draft accounts that were reported to the July 2023 meeting of the Committee. A summary of changes and the updated accounts were appended to the report. The Committee was invited to note the Accounts and agree the adjustments that were outlined in Section 3.8 of the report.

The City Treasurer thanked the External Auditors and the Finance team for the production and audit of the accounts over a challenging period in part due to the backlog that had arisen from the recent pandemic, the national highways accounting issues, the impact of pension fund volatility and the additional focus on asset valuations as a result of recent private sector accounting issues in relation to assets. He described the impact of those pressures on respective workloads and priorities and gave an outline of improvements that had been made as a result.

Decision

To note the report and agree the adjustments outlined in section 3.8 of the report.

AC/24/11 Risk Management Strategy

The Committee considered the report of the Assistant Director, Assurance and Risk which presented the refreshed Risk Management Strategy.

The report stated that as a result of adapted risk management processes during the pandemic, formal governance and reporting of risk management matters across the Council had been found to lack consistency. As a result it had been subsequently highlighted as an area for improvement by the Council's Strategic Management Team. The last formal update of the Corporate Risk Register (CRR) was presented to the Audit Committee over 12 months ago and the Annual Governance Statement process had affirmed a need to increase awareness and engagement in formal risk management arrangements across the Council. In view of wider recognition that risk management is integral to good governance and it being highlighted as an omission in a number of the public interest and Section 114 reports over the last 18 months, the Strategy had been refreshed based on exemplars across local government and public services with a view to submitting quarterly updates on the CRR to this committee.

The strategy would be rolled out initially through Directorate Leadership Team sessions and a plan for training and awareness sessions for services was in development for delivery from June 2024. A copy of the refreshed Strategy was appended to the report. The Committee was invited to consider the assurance provided.

The Assistant Director, Assurance and Risk introduced the report, outlined the key principles of the Strategy and highlighted three particular areas of note, which were:

- That the Strategy sets out and confirms the process for the review and reporting of risks
- That the Strategy provides more detail on 'risk appetite', describes how this is reflected across differing areas and activities and how decision making is supported
- That the Strategy sets out a three stage approach to risk reporting which reflects contextual risk where existing governance and structure are in place to support an avoidance of duplication

There was a discussion about objectivity and independently reviewing risk management arrangements. The Assistant Director Assurance and Risk described the importance of the role of third parties, other external sources and peer reviews

The Chair welcomed the refreshed Strategy and its enhanced assessment and monitoring of risks at all levels.

Decision

To note the report.

AC/24/12 Annual Governance Statement

The Committee received the report of the City Treasurer which presented the draft 2023/24 Annual Governance Statement (AGS) which had been produced following completion of the annual review of the Council's governance arrangements and systems of internal control.

The Committee was invited to note the findings of the draft 2023/24 AGS, and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2024/25.

The Reform and Innovation Manager introduced the report, highlighted key changes to the document and gave an outline of the comments given by members at the recent meeting of Standards Committee. He confirmed that those comments were being considered for incorporation into the following year's statement. The Committee noted this and agreed the recommendations.

Decision

To note the report.

AC/24/13 Annual Internal Audit Opinion 2023/24

The Committee received the report of the Assistant Director, Assurance and Risk which discussed the annual internal audit opinion and report on the Council's system of governance, risk management and internal control, on which the Committee was invited to comment.

The report provided information on:

- The overall opinion (rated as 'reasonable') with a summary of key strengths, key risks and issues arising from audit work.
- The delivery of the Audit Plan, including the status of planned audit outputs for 2023/24
- A discussion on the status of audit recommendations, including critical and significant priority recommendations.

The Assistant Director, Assurance and Risk introduced the report, outlining its context and focus on other sources of assurance.

There was discussion about whistleblowers and the circumstances in which they may be assured of anonymity and protection. The Assistant Director Assurance and Risk gave emphasis to anonymity and protection being two distinct elements. He went on to explain that where an issue is raised in good faith and is in the public interest then measures can be put in place to ensure the individual is appropriately protected and does not suffer any detrimental effects of having raised the issue. With regard to

anonymity, it was explained that degrees of complexity could conceivably arise in certain circumstances. For example in a matter that ultimately led to a criminal offence being pursued, anonymity could not be guaranteed. He explained however that whistle-blowers are encouraged to report issues so that steps could be taken, and that in certain circumstances consideration can be given to no immediate action being taken in an attempt to protect the identity of a whistle-blower.

Discussions moved to the report's opinion on primary schools' financial health checks. The Assistant Director, Assurance and Risk advised that the externally commissioned work across the entire estate that was referenced in the report had very recently commenced. Therefore it was necessary to wait until that work had concluded to decide on next steps. The outcome of that work would be shared with Audit Committee members as well as themed reports on the matter for the attention of the Executive Member.

With regard to the report's discussion on the Council's Gifts and hospitality policy for officers, the Assistant Director Assurance and Risk described an emerging theme of inconsistency and different interpretations of the policy. It was suggested that the current policy wording may be the source of the inconsistency and consequently a series of workshops had been arranged by the Director of HROD to draw out the key challenges and agree a new approach with a view to implementation. A suggestion was made that a clearer approach may be necessary for the scheme that is applicable to members.

In terms of closing comments, the Chair welcomed the report, noting the growth and development of risk management activity over time. Whilst it was acknowledged that further work was necessary in some areas, a significant improvement was noted. The role of the Council's broad reaching scrutiny function was recognised as an important aspect of challenge and strengthening activity. The positive progress around fire risk assessment activity in Housing Services was also referenced, particularly in the context of ongoing financial pressures.

Decision

To note the report.

AC/24/14 Internal Audit Plan 2024/25

The Committee received the report of the Assistant Director, Assurance and Risk which discussed the audit plan for 2024/25, setting out areas of proposed audit coverage for the year and the delivery of the plan, all of which would be reported to Senior Management Team and the Audit Committee as part of regular audit reporting.

The report set out information on:

- The basis for the Audit Plan
- The Audit Plan's context, timeframe and structure
- Resourcing implications; and

- Planned areas of audit work

An overview of links with Corporate Plan themes and risks and a schedule of planned activity was reflected to the report. The Committee was invited to review and approve the Plan in line with Audit Standards following its endorsement by the Strategic Management Team

The Assistant Director, Assurance and Risk referred to an improved resource position in comparison to the previous year adding however that some vacancies remained in the context of sector wide challenges. A small number of changes to some posts and the development of a sustainable training pathway were being actively considered. A 12 month plan was presented with some areas of contingency to allow for an ability to respond to emerging risks should that be necessary. Other sources of assurance were also referenced in the report. The Assistant Director, Assurance and Risk described the Plan as balanced, deliverable and reflective of current risks to the Council and commended it for approval.

A member enquired whether consideration could be given to adding the Heat Network to Plan, noting that it would also be considered by the Resources and Governance Scrutiny Committee (RAGOS). The Assistant Director, Assurance and Risk agreed to explore the matter subject to the extent of action points that emerge from its planned consideration by RAGOS.

A member suggested that in view of the succession of ICT programmes affecting multiple departments due over the next 12 months, consideration could be given to providing an audit and risk perspective on their respective impacts on associated service areas and was not confined to a focus on resilience and cyber risk. The Assistant Director, Assurance and Risk confirmed that whilst those major long-term projects were not explicitly named in the Plan, scope for inclusion as a contingency was a possible outcome. With regard to the planned replacement of the Enterprise Resource Planning system, the City Treasurer added that Internal Audit would be closely involved in providing independent assurance around a segregation of duties and other safeguards as part of the wider project.

Decision

To approve the Plan.

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.

In view of this being the Chair's last meeting, she thanked officers and the staff at Mazars for their diligence and support during her term of office.

The Executive Member Finance thanked the Chair for her patience and perseverance during a period of significant challenge with regard to national accounting issues, as well as her unfaltering support to the Council during a

particularly turbulent time in local government.

The Committee then thanked the Chair for all of her work over her term of office not solely as Chair of the Audit Committee but also in her capacity of ward councillor. They wished her well in her future endeavours.

Decision

To note the report and approve the work programme, noting that a refreshed work programme would be submitted for the ensuing 2024/25 municipal year.