

Audit Committee

Minutes of the meeting held on 11 June 2019

Present:

Councillor Ahmed Ali - In the Chair
Councillors Clay, Lanchbury, Russell and Stanton
Dr S Downs (Co-opted member)

Also Present:

Karen Murray, Mazars

Apologies:

Councillor Watson

AC/19/24 Minutes

The minutes of the Audit Committee held on 15 April 2019 were submitted for approval. The Chair moved a recommendation that decision two for item AC/19/19 'Review of Effectiveness of Internal Audit' be amended to 'To agree the amendments made in respect of the Audit Committee Terms of Reference, as detailed in Appendix 2 of the report submitted.'

Decision

To approve the minutes of the meeting held on 15 April 2019 as a correct record subject to the above amendment.

AC/19/25 Draft Annual Statement of Accounts

Members considered the report of the Deputy Chief Executive and City Treasurer that provided the 2018/19 Annual Accounts, which had been signed by the Deputy Chief Executive and City Treasurer. The report described the process of approval for the annual accounts, noting that the audited accounts together with the external audit report will be considered at the Audit Committee meeting on 30 July.

The Deputy City Treasurer introduced the report and referred to the main themes, noting the work of the Finance Team to produce the report in a timely manner. The Deputy City Treasurer commented that the challenges to funding Adult Social Care was a national issue and not unique to Manchester. The Chair commented that the report that had been submitted had been very well presented, clearly written and supported with a useful narrative to assist the reader. He stated that he welcomed that the Our Manchester approach was evident throughout the document.

A Member commented on the reported overspends in relation to Homelessness, Children's Services and Adult Social Care and commented that these will be recurring costs. The City Treasurer acknowledged this comment and stated that the

budget pressures due to demand were monitored and resources allocated appropriately.

In response to a comment from a Member regarding concern that £8.1m grant element the Parks Development Programme had been removed from the Capital Programme, the Deputy Chief Executive and City Treasurer reported that her comments would be relayed to the Parks Development Programme Board, and further added that, compared to other cities, Manchester's investment in Parks was significant.

In response to specific questions raised, the Deputy Chief Executive and City Treasurer stated that further information would be provided to the Committee on interest rate charges and the percentage of homes that were to be built at an affordable price, commenting that there was an agreed target for the next five years.

Members enquired what the money clawed back from Schools was to be used for. The Deputy City Treasurer said that the levels of reserves held by individual schools had been reviewed and where appropriate funds had been clawed back and this money was ring fenced to schools to improve the outcomes for the children in Manchester.

In response to a question regarding the airport dividend the Deputy Chief Executive and City Treasurer described that the process applied in budgeting and subsequent allocation of the dividend.

Decisions

To note the unaudited 2018/19 Annual Accounts, signed by the Deputy Chief Executive and City Treasurer, including the narrative report.

AC/19/26 Revenue Outturn Report 2018/19

Members considered the report of the Deputy Chief Executive and City Treasurer which outlined the final outturn position for 2018/19.

A member enquired about the savings identified from vacant staff posts and enquired if there was a process to deploy staff into these rather than make them redundant. The Deputy Chief Executive and City Treasurer commented that there was a robust policy and approach to seek to avoid compulsory redundancies and the M People process had been established to support staff move into new posts. She said that vacant posts existed due to a number of reasons, including measures that were implemented as part of the budget recovery plan in 2018/19 and difficulties experienced in recruiting to temporary and permanent posts, such as Enforcement Officers within the Neighbourhoods Service and this situation would be reviewed as part of the budget setting process.

In response to a question regarding the Bed For Every Night scheme designed to support homeless people the Deputy Chief Executive and City Treasurer confirmed that commitments of the GM Mayor did not impose a new statutory duty on the

Council commented that the funding provided by GMCA was in addition to Manchester's budget and consideration would be given as to how this was reported to ensure this difference was clear.

In reply to comments regarding receipt of Housing Benefit payments the Committee were reminded that the Revenue and Benefits Annual Report would be submitted to the Resources and Governance Scrutiny Committee and that would provide detailed information on Discretionary Housing Payments, noting that the budget to support DHP had been increased as part of an in year adjustment to the budget.

Members commented that future reports should include specific reference as to where budgets had been adjusted in year to enable comparisons to be made and assist the reader. The Deputy Chief Executive and City Treasurer agreed that this information would be provided in future reports.

Members noted that there was a reported underspend in relation to reablement services, commenting that this is an activity where investment was required to realise savings in the future. The Deputy Chief Executive and City Treasurer commented that this area of activity was due to be scaled up, however recruitment of staff was a challenge.

Decisions

1. The Committee noted recommendations to the Executive one to three and endorsed recommendations four and five as listed below.

1. Note the outturn position for 2018/19 as set out in the report and summarised in the table at paragraph 4.
2. Note the Housing Revenue Account position for 2018/19 as outlined in paragraphs 48 to 51.
3. Note the overall General Fund position for 2018/19 as outlined in paragraph 52.
4. Approve the use of budgets to be allocated as outlined in paragraph 53.
5. Approve the use of reserves as outlined in paragraph 55.

AC/19/27 Capital Budget Outturn Report 2018/19

Members considered the report of the Deputy Chief Executive and City Treasurer which provided the Committee with information on the outturn of capital expenditure and financing for 2018/19; the major variances between the 2018/19 outturn and the previous Capital Programme monitoring report submitted in February 2019; and the commitments to be carried over into the five-year Capital Programme 2019/20 to 2023/24.

In response to a question from a Member the Deputy Chief Executive and City Treasurer stated that the additional money allocated to the Factory was for the overall budget for the delivery of the project and that a report on the lessons learnt from the MSIRR (Regent Road) highways project would be reported to the appropriate Committee.

Decision

The Committee note the report and endorse the recommendation that the Executive:

1. Note the outturn of capital expenditure 2018/19 for the Manchester City Council Programme was £361.6m. The outturn of capital expenditure 2018/19 for the Programme on behalf of Greater Manchester was £91.2m.
2. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2019.
3. Approve the budget transfers between capital schemes to maximise the use of funding resources available to the Council.
4. Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2018/19.
5. Note the impact of final expenditure in 2018/19 on the revised Capital Programme 2019/20 to 2023/24.
6. Deputy Chief Executive and City Treasurer to confirm with respective Audit Committee and Scrutiny Committee Chairs to which Committee the MISIRR Lessons Learned report will be presented.

AC/19/28 Treasury Management Annual Report 2018/19

Members considered the report of the Deputy Chief Executive and City Treasurer that described the Treasury Management activities of the Council 2018/19. The Deputy Chief Executive and City Treasurer commented that the 2019 /20 Management Strategy had been considered by the Executive as part of the Budget considerations and updates on this would be reported during the year.

Members enquired about the reported online fraud case and the financial loss incurred by the Council. The Head of Internal Audit reported that detailed information and lessons learnt would be provided to the Committee in the confidential Annual Counter Fraud Report that was scheduled for the consideration at the September meeting.

A Member requested that an update on the levels of compliance with the Council's policy on use of purchase orders is provided to the relevant Committee including a break down by Directorate.

Decision

Deputy Chief Executive and City Treasurer to confirm with respective Audit Committee and Scrutiny Committee Chairs to which Committee a report on the policy and monitoring of the use of purchase orders will be presented.

AC/19/29 Response Letters to External Audit

Members 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.

This report provided the draft responses proposed to be issued to the External Auditor from the Audit Committee Chair and Deputy Chief Executive and City Treasurer for the audit of the 2018/19 accounts.

Decision

To note the report.

AC/19/30 External Audit – Progress Report and Technical Update

Members considered the report of the Council's External Auditor that described that since last meeting the External Auditor had met with finance staff to clarify the requirements and expectations in respect of the 2018/19 final audit visit; will keep up to date through their on-going review of agendas and minutes and will complete their detailed audit work for the Council's 2018/19 VFM conclusion.

Detailed audit work would continue and the final audit visit would commence on 17 June 2019, noting that there were no significant matters arising to date.

Decision

To note the report.

AC/19/31 Internal Audit Outturn Report

Members considered the report of the Head of Audit and Risk Management that provided the Committee with confirmation of the audit work completed based on the agreed Audit Plan 2018/19 and subsequent agreed amendments to that plan. Detailed reports on assurances issued and work progress were provided quarterly to Audit Committee in year and the report noted that the first assurance report for 2019/20 will be provided in July 2019.

Members commented that the Highways Framework had been given a limited assurance opinion for 2018/19 and the Head of Audit and Risk Management stated that the departments responses to the recommendations would be reported. A Member commented on the recent incident with MSIRR (Regent Road) and queried whether issues might have been identified earlier had contractors utilised a Whistleblowing Policy to raise concerns.

A member commented that the number of Assurance Ratings are to be changed for 5 to 4 opinions in line with national practice and it will be interesting to see what

ratings apply to future audits including the Head of Audit and Risk Management's annual opinion. The Head of Audit and Risk Management stated that the refreshed Assurance Ratings would be applied and reported. The Member commented that it would be interesting to understand the impact of budget cuts and staffing levels on the number of Limited Assurances given.

A Member commented that information needed to be included in the Internal Audit Quarterly Report that was scheduled to be submitted for consideration at the July meeting on how long recommendations had been outstanding, and where appropriate the relevant Executive Member and Strategic Lead should attend the Audit Committee to provide an account as to the reasons for this. The Member also requested assurance at the July meeting that audit reports are being issued to Executive Members.

Decision

To note the report.

AC/19/32 Work Programme and Audit Committee Recommendations Monitor

The report of the Governance and Scrutiny Support Unit which contained responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

The Head of Audit and Risk Management stated that the Committee may wish to consider receiving reports on Disaster and Recovery, Contracts and Procurement and ICT in line with requests from previous meetings. The Deputy Chief Executive and City Treasurer noted that themed reports on contracts and ICT were also scheduled for Resources and Governance Scrutiny Committee and may cover similar topics. A Member further recommended that a detailed report on the Limited Assurances awarded to Adults and Children's Services be considered at an appropriate time and that the relevant Executive Members be in attendance.

The Chair informed the Committee that he would discuss these suggestions further with the Head of Audit and Risk Management and Chair of Resources and Governance Scrutiny Committee and schedule updates for an appropriate meeting.

Decisions

1. To agree the Work Programme subject to the above.
2. To note the Recommendation Monitor.