

## **Audit Committee**

### **Minutes of the meeting held on 11 February 2020**

#### **Present:**

Councillor Ahmed Ali - In the Chair  
Councillors Clay, Lanchbury, Stanton and Watson  
Independent Co-opted members: Dr S Downs and Dr D Barker

#### **Also Present:**

Councillor Ollerhead, Executive Member Finance and Human Resources  
Karen Murray, Mazars  
Stephen Nixon, Mazars

**Apologies:** Councillor Russell

#### **AC/20/01 Minutes**

##### **Decision**

To approve the minutes of the meeting held on 10 December 2019 as a correct record.

#### **AC/20/02 Internal Audit Assurance Report**

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Internal Audit and Risk Management that provided a summary of the audit work undertaken and opinions issued in the period April to December 2019.

The Head of Internal Audit and Risk Management introduced the key themes as set out within the report. The Chair then invited questions from the Committee.

A Member sought further information regarding the current vacancies within the Audit Department. The Head of Internal Audit and Risk Management stated that two temporary staff had been appointed to cover imminent vacancies and the intention was to have implemented a full review and restructure by the end of June 2020, following the appropriate consultations. He described that this programme of work was being delivered in conjunction with Bolton Council and he envisaged that this approach, in addition to reviewing the progression opportunities for staff would make Manchester an attractive and interesting place to work that would also help assist with the recruitment and retention of staff.

A Member enquired if staff with audit responsibilities across the schools' estate were appropriately trained and competent to discharge their responsibilities. The Head of Internal Audit and Risk Management commented that appropriate oversight and support for this function was promoted across all schools for this critical role and advice and guidance, including lessons learnt was provided to Head Teachers. A

Member commented that a service level agreement should be introduced regarding training for school business managers to assist them and support them in the areas of activity and themes that emerged from the audit work. The Head of Internal Audit and Risk Management stated that he would raise this with colleagues in the Education Department and the Schools Group with a view to progressing this, noting that issues seemed to arise when schools deviated from agreed purchase protocols and systems.

A Member sought clarification as to who was responsible for recommendations identified for schools and if any remained outstanding, where were these reported to and monitored. The Head of Internal Audit and Risk Management clarified that there existed a separate schools' recommendations tracker and that they were monitored, and if areas of concern were identified these would be reported to the Executive Member for Children and Schools and if appropriate to the Audit Committee. He further stated that clarification would be sought as to whether any outstanding recommendations relating to schools needed to be included in the regular Outstanding Audit Recommendations report that was considered by the Committee.

The Head of Internal Audit and Risk commented that there was significant work required to improve Data Protection Impact Assessments (DPIA) and said that work had been undertaken to reiterate the importance for officers to complete these in a timely manner and a programme of actions had been agreed, in consultation with the City Solicitor to improve this area of activity. A Member noted the importance of this as failure to carry out a DPIA when required or to consult the Information Commissioner's Office (ICO) when necessary, could lead to the Council facing enforcement action with the maximum financial penalty of 10 million euros. A Member commented that any information and guidance issued to staff in relation to DPIA's should also be circulated to all Members.

In response to comments made regarding Section 106 money, the Head of Internal Audit and Risk Management stated that the audit of this activity had taken place during a period of change to this system. He stated that the planned improvements and identified key actions should significantly enhance the arrangements in place to monitor s106 agreements. A Member commented upon the importance of the development of a database that would enable records and information to be consolidated and supported the inclusion of this as an identified key action and recommended that this activity was reported back to the Committee, in particular the reported delays in the spending and movement of monies and the indications that there may have been a number of unspent historical balances remaining on SAP. The Head of Internal Audit and Risk Management stated that a progress report would be submitted to the Committee at an appropriate time.

In response to a question from the Committee regarding her opinion on the completion of DPIAs by officers of the Council, the City Solicitor stated that as an organisation the Council was still learning about Key Decisions and DPIAs and she was of the opinion that they were not purposefully not completed. She stated that the importance of this was recognised corporately and a programme of staff training, including the development of a template for staff to use and communications was ongoing to officers across the organisation. She further reiterated the importance of retaining the right data and information for the right amount of time. She stated that to

support this the process required for staff completing DPIAs was appropriate and not too onerous for staff required to complete them and a user friendly guide had been produced and that this was continually reviewed, recognising the importance of the Group of officers who meet regularly to review and monitor this activity.

## **Decisions**

The Committee;

1. Note the Internal Audit Assurance Progress Report to 31 December 2019.
2. Confirm and approve the proposed changes to the Internal Audit Plan 2019/20.

## **AC/20/03 Outstanding Audit Recommendations**

The Committee considered the report of the Deputy Chief Executive and City Treasurer and the Head of Internal Audit and Risk Management that provided a summary of the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

The Head of Internal Audit and Risk Management introduced the key themes as set out within the report. The Chair then invited questions from the Committee.

Members sought an opinion as to whether those recommendations that were reported as being over nine months would be completed or whether the relevant Executive Member and Strategic Lead would be required to attend a future meeting of the Audit Committee to explain why they remained outstanding. A Member enquired if the Head of Internal Audit and Risk Management was satisfied that the system for monitoring Outstanding Audit Recommendations was working efficiently. The Head of Internal Audit and Risk Management commented that the Committee had heard from the relevant officers and Executive Members in regard to the outstanding recommendations over nine months and further commented that this approach had assisted in keeping a focus and accountability on this area of work, noting that this approach had been supportive and helpful to the Audit Team.

A Member commented that whilst he welcomed the list of outstanding recommendations listed by length of time they remained outstanding, what was being done to recognise, and where appropriate prioritise new entries. The Head of Internal Audit and Risk Management acknowledged the comment and stated that consideration would be given to the format of the reporting and the allocation of a critical score against each entry to assist with the prioritisation of each individual recommendation.

The Deputy Chief Executive and City Treasurer informed the Committee that both herself and other Senior Management Team members did assess the critical levels of each recommendation when the reports from Audit were received. She further added that whilst the ambition was always to reduce the number of outstanding recommendations, the number of these was relatively low when compared to the number of recommendations made.

A Member sought an update on the recommendations that remained outstanding in relation to the Disability Supported Accommodation Services and Transition to Adult Services. The Head of Internal Audit and Risk Management stated that an audit opinion on Disability Supported Accommodation Services would be provided at both the March and April 2020 meetings of the Committee and this would further update Members on the implementation of these. He further commented that the report would be updated and any revised target dates for the Transition to Adult Services recommendations would be included when this information was next reported to the Committee.

The Head of Internal Audit and Risk Management responded to a question asked by a Member in regard to the implementation date of the Supervisions Google Form by advising that this would be checked and updated in the report for when it was next submitted to the Committee.

In response to a question asked by a Member in relation to the outstanding recommendations reported for Social Value and the associated KPIs (key performance indicators), the Head of Internal Audit and Risk Management commented that a considered and robust response was received to the recommendations and he advised the Committee that a significant amount of work had been done in respect to the issues identified and he was confident that a number of the actions had been completed.

The Executive Member Finance and Human Resources addressed the Committee and stated that there were a number of measures implemented to monitor Social Value and KPIs. He described that an annual social value event was delivered each year by CLES (Centre for Local Economic Strategies) that benchmarked the authority against a range of metrics. He further described that consideration was being given to understanding and recording the wider benefits and societal outcomes of social value, including real stories and not to simply measure this activity in terms of a monetary value. He described that Manchester was pioneering the approach to social value and it was important to capture and describe the real stories and impact this approach had on the lives of residents and communities across the city. Members agreed that whilst important, social value should not simply be measured in the number of jobs and apprenticeships delivered and recognised the wider impact this approach had. The Deputy Chief Executive and City Treasurer stated that consideration continued to be given to the governance arrangements to promote, challenge and deliver social value via the Council's procurement arrangements.

## **Decision**

To note the report.

## **AC/20/04     Audit Strategy Memorandum**

The Committee considered the report of the Council's external auditors Mazars that summarised their audit approach, highlighted significant audit risks and areas of key judgements and provide the Committee with the details of their audit team.

Karen Murray, Mazars introduced the key themes as set out within the report. The Chair then invited questions from the Committee.

A member of the Committee enquired if the reporting deadline of 31 July was achievable. Karen Murray described that last year there had been a challenge nationally to adhere to the deadline and it was anticipated that this would be repeated this year. She described that discussions were currently ongoing with the appropriate government minister to understand if this deadline could be extended, however Mazars continued to work to the 31 July deadline, pending any ministerial decision. She said that she would continue to liaise with the City Treasurer as these discussions progressed to ensure the correct opinion was delivered.

In response to a question regarding the IFRS 16 Leases accounting standard, Karen Murray described that work was ongoing to understand the impact of this reporting requirement. She stated that to date they as the external auditor were satisfied with the approach that was being taken by Manchester City Council to comply with this requirement to disclose this information and regular meetings with the finance team would continue to monitor this significant piece of work to comply with the relevant accounting standard.

The Chair supported a comment from a Member who described that the addition of another layer of reporting made it difficult for the lay reader to fully understand the Council's accounts and noted the additional work this represented for officers. The Deputy Chief Executive and City Treasurer stated that the requirements to comply with the accounting were very challenging and she paid tribute to the staff who worked within the Finance Team. She described that consideration had been given to streamlining the reporting of the accounts, however to comply with the legislation and reporting standards this was very challenging and she commented that a summary of the accounts was always provided.

## **Decision**

To note the report.

## **AC/20/05 The Committee's Work Programme**

The Members considered the Committee's work programme. A Member requested that the meeting dates for the 2020/21 municipal year be circulated.

## **Decisions**

The Committee;

1. Note the Work Programme.
2. Recommend that the Governance Officer circulate the meeting dates for the 2020/21 municipal year.