

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 12 October 2023

Present: Councillor M Whitby (in the Chair)
Councillors A Arif, C Birchmore, M Hayes, J Mason, L McBriar,
E Moss and M Rubinstein

Also in attendance: Councillor J Mason as substitute for Councillor D Berry

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor D Berry and Councillor I Gartside

AU.1 APOLOGIES FOR ABSENCE

Apologies are recorded above.

AU.2 DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

AU.3 PROCUREMENT UPDATE

Nichola Cooke, Assistant Director, Star Procurement presented the Committee with an update on procurement across the Council.

The presentation explained the role of STAR Procurement and the support that they offered; Why procurement is important; roles and responsibilities of devolved procurement; the changes that have happened within procurement which includes;

- New Contract Procedure Rules in place
- New Procurement Strategy
- New Thresholds
- New Procurement Guide
- New Templates
- New Processes and procedures
- New Centralised Contracts Register and contracts amnesty
- New Governance guidance
- New Roles and responsibilities
- New Procurement Service Risk Register

It was explained that training on the procurement process had been provided to management, through the Management Development Programme and at Senior Management Forum, Service Specific Training had been providing and was still ongoing across the Council. Specific training regarding new regulations was under development and would be rolled out and mentoring a training for strategic procurement staff had been provided.

Nicola reported that the team had met with service leads to advise on how procurement can work with them, identify strategic priorities and impacts on existing contracts, identify support needs and where advice may be required, ensure that the Corporate Contracts Register is up to date and identify procurement activities in the future and how these can be delivered.

Nicola explained that she attended regular management meetings and was working with Corporate Procurement to provide advice and guidance.

The next steps had been identified as;

- Ongoing relationship building with services
- Detailed spend analysis
- Review of template documents
- Identification and delivery of internal collaborative contracts
- Forward Plan
- Support Financial Improvement Plan actions
- Input into development of Social Value Strategy
- Action plan for implementation of new Regulations
- Identification of 'Procurement Champions'

Following a question relating to how successful the roll out had been it was explained that the work to date had gone well and 1 over 100 staff members had participated to date with more to come.

It was agreed:

That a further update be provided in 12 months.

AU.4 MINUTES OF THE LAST MEETING

It was agreed:

That the Minutes of the last meeting held on 31 July be approved as a correct record and signed by the chair.

AU.5 MATTERS ARISING

The action log from the last meeting was attached.

A composite note from the Chief Executive was attached in relation to the 3 Corporate Risk Register deep dives presented at the July meeting of the Audit Committee following a request for further assurance and oversight regarding actions to reduce risk and effectively manage impacts.

It was agreed:

1. That the report of the Chief Executive be noted.
2. That the Chief Executive be thanked for the assurance.

AU.6 RISK REGISTER 2023/24 Q2

The Executive Director of Finance submitted a report providing an updated position with regards to the risks identified and assessed on the Council's Corporate Risk Register. These risks have been considered by the Executive Team as those with the potential to disrupt the Council's strategic objectives and service delivery.

A total of 22 risks have been identified as those of a genuine corporate nature and are summarised as follows:

- 22 risks are currently present on the Corporate Risk Register
- 16 risks are currently rated as Significant (risk score 15-25)
- 6 risks are currently rated as High (risk score 8-12)
- 0 risks are currently rated as Moderate (risk score 4-6).

Of these 22 risks:

- 1 has increased in score
- 0 have decreased in score
- 20 have remained static
- 1 has been newly introduced

Following a decision at the last meeting of the Audit Committee, Members asked for a further information in respect of the following areas of concern:

CR1 - Financial Sustainability

CR16 - SEND

CR15 - BGI – 3 major regeneration projects

Officers from each of those service areas attended the meeting and provided an update on work undertaken to mitigate risk, in addition, accompanying reports were circulated to Members ahead of the meeting and included key potential impacts and how those impacts were being controlled. Member's present in considering the following points and issues were raised:

CR15 - Regeneration & Development

In response to questions raised around timescales for levelling up projects, and the fixed timescales involved the Director of BGI explained that visits from the Department from Levelling Up have highlighted confidence in the ability to deliver.

In response to a question concerning the Prestwich Village Scheme it was explained that although it was still in the early stages tremendous progress had been made. The Council would be investing in the scheme and the use of partners such as Homes England and the GMCA to make it work and share expertise.

In response to concerns about increasing construction costs, the Director of BGI explained that although projects have become more difficult the Council were not dealing with the unknown. The schemes were both new builds and were therefore a lower risk profile.

Members discussed the need to ensure that the right market and skills set were identified in relation to the Atom Valley (Northern Gateway) site for employment development within the Places for Everyone Joint Plan. Paul explained that the discussions were ongoing with the GMCA and the Councils and other partners invested in the scheme to ensure that the site would be a key driver in achieving a more balanced Greater Manchester economy by significantly boosting the competitiveness of the northern districts and in delivering the aspirations.

It was also explained that the Leader of the Council is the portfolio holder for Technical Education and Skills for the Greater Manchester Combined Authority.

In response to Members' comments regarding HS2, Paul explained that he felt there would be little impact on the development of the scheme following the recent news regarding the future of HS2.

CR16 SEND

The Director of Education and Skills provided Members with an overview of the issues of concern in relation to this risk.

Councillor McBriar referred to the increase in complaints of 400% and asked that the figures in relation to this were shared as this will show the true figures rather a percentage based on what could be low numbers. It was also asked for monthly figures to be provided in relation to complaints received.

In relation to a question raised with regard to the 1001 pathway, Isobel explained that 1001 related to the first 1001 days in a child's life and the requirement to ensure that needs are identified earlier and that the families' needs are being met. There had been an increase in the number of children starting school who were non-verbal which highlighted the requirement to ensure that the 6 month health visit and the 2 year health visits happened.

A question was raised in relation to the initiatives that were included in the information provided and it was asked which initiative was most important. Isobel explained that the Council needs to ensure that it has a SEND provision that it can be proud of. There are already 2 outstanding special schools in the borough that have received positive feedback from Ofsted and this provision needs to be maintained alongside graduated support being met in mainstream provision.

CR1 FINANCIAL SUSTAINABILITY

The Executive Director of Finance attended to provide members with an overview of the concerns in relation to the risk.

Councillor McBriar referred to the risk remaining at the highest level and asked when it would begin to drop.

Sam Evans explained that when the council finances were in a balanced position the risks could be reduced.

In response to a question about staff pay rise and the percentages involved it was reported that each 1% equated to circa £1m. During budget setting, 7% had been allocated.

In response to a query in relation to council reserves it was reported that the £22m in the general fund had reduced to £15m. A departmental 'sweeping up' of reserves was ongoing and the transformation reserves had identified £6m for DSG.

It was agreed:

That the information provided be noted and those that had attended to report be thanked.

That, at its next meeting on 14 December 2023, the Audit Committee would carry out deep dives on the following risks:-

CR19 – Financial Capacity

CR20 – Increase in energy prices.

AU.7 FINAL ACCOUNTS 2021/22

The Committee was presented with the Statement of Accounts 2021-2022.

The Committee were asked to consider the updated 2021/22 Statement of Accounts (Appendix 2) and subject to there being no further material changes, delegate authority to the Chair of the Audit Committee, to sign-off the audited 2021/22 Statement of Accounts once the external auditors have confirmed completion of the 2021/22 audit.

Those present were given the opportunity to ask questions and make comments and the following queries were raised:

Councillor McBriar referred to the external valuation of Manchester Airport which had been revised downwards by £14.8m and asked how this had happened.

It was explained that when Mazars, the Council's External Auditors had tested the valuations they had found an error. The valuation had been carried out by BDO who are an external company on behalf of all Greater Manchester Authorities.

Amelia Salford from Mazars explained that Mazars had requested technical information in relation to the valuation and had found the error which affected all of the Greater Manchester Authorities valuations. Amelia explained that the valuation has no impact on the revenue budget.

Councillor Rubinstein referred to the error made by the external valuers and asked if this had therefore had further financial implications in relation to the External Auditor fee. The Council will have paid towards the valuation work and then paid towards the investigation work following the discovery of the error.

Councillor Rubinstein asked if the Council would be recompensed by BDO for the error.

Sam reported that she was due to attend the GM Treasurer's meeting and would raise the issue there.

It was agreed:

1. That the changes to the 2021/22 Statement of Accounts as a result of the annual audit as detailed in paragraphs 3.6 to 3.8 and 2021/22 Statement of Accounts Appendix 2) be noted.
2. That the Committee approve the updated 2021/22 Statement of Accounts (Appendix 2) and subject to there being no further material changes, delegate authority to the Chair of the Audit Committee, to sign-off the audited 2021/22 Statement of Accounts once the external auditors have confirmed completion of the 2021/22 audit.
3. That the Committee delegate authority to the Chair of the Audit Committee and the Executive Director of Finance, S151 Officer, to sign the Letter of Representations upon completion of the 2021/22 audit.

AU.8 INFORMATION GOVERNANCE REPORT

It was agreed:

That the report would be deferred to the next meeting of the Audit Committee.

AU.9 INTERNAL AUDIT PROGRESS REPORT

The Head of Fraud, Audit Insurance and Risk presented a report of the Section 151 Officer setting out the progress made to date against the annual audit plan 2023/24.

The report enables Members to monitor the work of the Internal Audit service, raise any issues for further consideration and provide an opportunity to request further information or to suggest areas for additional or follow up work.

The conclusions drawn from the report were:

- The majority of work outstanding from the 2022/23 plan has now been completed and work on 2023/24 plan is progressing.
- Twelve reviews have concluded, and reports have been issued to Members since the beginning of the financial year. Eight reports relate to the 2022/23 annual audit plan and were considered when formulating the annual audit opinion for 2022/23. Four reports relate to the 2023/24 annual audit plan.
- Work on 2023/24 plan is progressing. Sixteen reviews are ongoing, two reviews are at draft report stage. Three reviews which were in progress have been put on hold and deferred until quarter 4 of 2023/24.
- Ten follow up exercises have been completed during Quarter 2.
- An additional second-follow up exercise has been introduced to pick up any recommendations not implemented or only partially implemented.
- Resources originally calculated as available for the delivery of the annual plan need to be reduced by 100 days. However, currently no proposal is made to remove any identified audits from the approved plan.

Members of the Committee were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Moss referred to 3 reports where the recommendations had not been fully implemented and he requested the matrices be provided to show what steps were being taken.
- Councillor Whitby referred to the improvements made in the transport stores and asked that this be noted.

It was agreed:

That Members note the report and the work undertaken by Internal Audit.

AU.10 ANNUAL FRAUD PLAN

The Head of Fraud, Audit, Insurance and Risk presented a report of the Section 151 Officer presenting the Committee the Annual Fraud Plan for 2023/24 and providing an update of the work undertaken by the Fraud Team from 1st April.2023 to 30th September 2023

The conclusions drawn from the report are:

- The Counter Fraud Team have reviewed and updated 5 policies:-
 - Anti-Fraud and Corruption Strategy
 - Fraud and Corruption Prosecution Policy
 - Whistleblowing Policy
 - Anti-Bribery and Corruption Policy

- Anti- Money Laundering Policy

The National Fraud Initiative results are being checked. The Fraud Team have checked 731 entries resulting in 340 Blue Badges being cancelled with a Cabinet Office estimated saving of £221,000.

A review has been conducted of Business Rates accounts following work generated from Covid-19 Business Support Grants. 58 Business Rates accounts have been identified where there may be income totalling £740,000 which may be eligible for recovery. Additionally, covid-grant overpayments of £245,000 have also been identified, All this information has been passed to the Revenues and Benefits Team for their review and appropriate recovery action.

Appended to the report was:-

- the 2023-24 Counter Fraud Plan
- Anti Bribery Policy
- Anti Money Laundering Policy

Those present were given the opportunity to ask question or make comments and the following points were raised:-

- Councillor Hayes refereed to the review of Business Rates accounts and asked that the Committee be advised when it was completed and how much the Council had been able to recover.
- Councillor Rubinstein referred to the NFI results and the work that had been completed by the Fraud Team relating to blue badges.

Janet explained that 731 entries had been checked which resulted in 340 blue badges being cancelled.

It was agreed that:

1. The Annual Fraud Plan be approved;
2. The Anti Bribery and Corruption Policy be approved;
3. The Anti Money Laundering Policy be approved;
4. The work undertaken by the Fraud Team be noted.

AU.11

MAZARS PROGRESS REPORT

Amelia Salford presented the Audit Progress Report which set out the Audit Progress to date and gave information relating to national publications.

It was reported that when the Audit Completion Report was presented to the Audit Committee a number of items were shown as outstanding.

Amelia explained that the agreement of the amendments required in respect of Property, Plant and Equipment had been completed, work was in progress in relation to the technical review of the financial statement and this was due to be signed off by the technical team.

With regards to the 2021/2022 Value for Money work, Mazars had received the supporting evidence that had been requested and the commentary in relation to this would be brought to the Audit Committee in December.

With regards to the 2022/2023 Audit work, Amelia reported that the Council had published its draft Accounts and Annual Governance Statement on 31 May 2023 in line with the statutory timetable. Amelia explained that Mazars would commence their Audit in January 2024 with a sign off expected in March 2024.

The members of the Audit Committee were given the opportunity to ask questions and make comments and the following points were raised:-

- In reference to the 2022 – 2023 Audit of the Statement of Accounts and Annual Audit Statement to be carried out by Mazars, Councillor Moss asked how realistic the proposed schedule of 3 months' was.

Sam Evans explained that the production of the accounts was improving year on year, Sam stated that Mazars had been asked for sampling ahead of Christmas so that any queries could be responded to.

- Councillor Whitby asked why it was not possible for Mazars to start the Audit work earlier.

Amelia explained that Mazars also carried out the NHS audit work which did not commence until later in the year which meant that work on the council audits started in June. Mazars had prioritised audits for smaller clients and councils where less work was required.

- Councillor Whitby asked that Amelia take the request for the External Audit work to start earlier back to Mazars on behalf of the Audit Committee.

It was agreed:

That the Audit Committee note the report.

AU.12 EXCLUSION OF PRESS AND PUBLIC

Delegated decision:

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

AU.13 INTERNAL AUDIT REPORTS

Janet Spelzini presented a report setting out information in relation to final reports that had been issued since the last meeting of the Audit Committee meeting in July 2023.

Isobel Booler attended the meeting to update Members in relation to the Chesham School report.

It was agreed:

AU.14 That the contents of the report be noted
INTERNAL AUDIT SPECIAL INVESTIGATIONS

Janet Spelzini, Head of Fraud, Audit, Insurance and Risk presented a report updating members in relation to Internal Audit Special Investigations reports which have been undertaken to examine significant issues / whistleblowing allegations, raised with the S151 officer.

It was agreed:

That the contents of the report be noted.

AU.15 **MEMBERS' FEEDBACK**

Councillor Rubinstein referred to the acronyms that were used in reports received by the Audit Committee and asked that a list of acronyms be provided.

Councillor Rubinstein also explained that he found that Mazars report difficult to read due to the way that it was presented.

COUNCILLOR M WHITBY
Chair

(Note: The meeting started at 7.00 pm and ended at 9.30 pm)