AUDIT AND ACCOUNTS COMMITTEE

26 June 2019

Meeting commenced: 2.00 p.m.
“ ended: 4.18 p.m.

PRESENT: Councillor Robin Garrido - in the Chair
Councillors Jim King and John Walsh
Bruce Cowan (Co-opted Member)
Vittoria Bugana (Co-opted Member)

INVITEE: Councillor Bill Hinds (Lead Member for Finance and Support Services)

OFFICERS: Miranda Carruthers-Watt - City Solicitor
Jean Gleave - Head of Internal Audit
David Smith - Audit Manager
Simon Bleckly - Internal Auditor
Laura Hindley - Principal Auditor
Joanne Hardman - Chief Finance Officer
Chris Hesketh - Head of Financial Management
Tony Thompstone - Strategic Finance Manager
Chris Whittingham - Senior Manager, Public Services Audit (Mazars)
Emma Reid - Joint Head of Planning and Performance
Cathy Starbuck - Assistant Director (Education, Work and Skills)
Mike McHugh - Senior Democratic Services Advisor

1. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Stephen Coen, Peter Connor, David Jolley, Roger Jones and Michael Pevitt.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PROCEEDINGS

The minutes of the meeting held on 27 March 2019 were approved as a correct record.

4. MATTERS ARISING

There were no matters arising.
5. **SECONDARY DEMAND UPDATE**

Cathy Starbuck submitted a report and gave a presentation in respect of demand for places at secondary schools in the city, as follows -

i) Recap and latest position for September 2019 intake

- The available Pupil Admission Number across the 14 mainstream high schools for Yr7 prior to offer day was 2515.
- Number of on time applications received for Salford schools was 2185 (Salford residents). A number of Salford residents applied for schools in neighbouring LAs.
- The co-ordinated offer process across all LAs is only finalised in mid-February - until that time it is very difficult to know exactly how many children will be offered a Salford school place.
- As well as significant numbers of late applications (mixture of both late and new families new to the city), just prior to February half term, Salford received notification from neighbouring LAs, (Wigan and Bolton) of Salford residents who couldn’t be placed in their schools.
- As outlined in our strategy, where possible and obviously taking into account parental preference, the LA will place pupils within a reasonable travelling distance of their school (mindful of pupils attending schools within their communities and the significant traffic congestion that happens in many areas of the city in the rush hours).
- Due to the late demand, it became apparent very quickly that there would be a need to create additional capacity.
- An extra 108 Yr7 places have been created in the form of temporary bulge classes across 4 schools. This allows the LA to offer within a reasonable travelling distance (under 3 miles) and ensure a suitable surplus was being carried to support all areas of the city.

ii) For secondary purposes schools have been split into 3 main planning areas:

<table>
<thead>
<tr>
<th>Planning Area</th>
<th>Schools</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>Moorside Academy, Walkden Academy, Harrop Fold Community, The Swinton Academy, St Ambrose Barlow RC</td>
<td>Little Hulton, Swinton and Walkden</td>
</tr>
<tr>
<td>102</td>
<td>Irlam and Cadishead Academy, Ellesmere Park Academy, St. Patricks RC, Salford City Academy</td>
<td>Eccles, Irlam and Cadishead</td>
</tr>
<tr>
<td>103</td>
<td>The Albion Academy, Beis Yaakov Academy, Buile Hill Academy, All Hallows RC, Oasis Academy</td>
<td>Central and Border Area</td>
</tr>
</tbody>
</table>
iii) Current Position as of 05/06/19

<table>
<thead>
<tr>
<th>School area</th>
<th>PAN availability for Sept 2019 intake</th>
<th>Pupils Allocated</th>
<th>Vacancies (as of 05/06)</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>1175</td>
<td>1136</td>
<td>39</td>
</tr>
<tr>
<td>102</td>
<td>690</td>
<td>629</td>
<td>61</td>
</tr>
<tr>
<td>103</td>
<td>763</td>
<td>740</td>
<td>21</td>
</tr>
</tbody>
</table>

- As the growth that’s been experienced across the primary sector is only just beginning to feed into secondary, we are, at present carrying a higher level of surplus capacity across the upper year groups (approx. 12.8% across Yr7-11) level of surplus will reduce year on year as the increased cohort of primary pupils begin to feed into secondary.
- In terms of capacity being carried across Yr7 intake for Sept 2019. Using the latest position, we are currently carrying 4.6 % surplus, albeit, the majority being carried across one school (Irlam and Cadishead).
- DfE guidance does not prescribe the level of surplus to be carried, however they deem anywhere between 2-5% acceptable.
- Across the city over the last 3 years we have seen very little in year movement. Based on this trend data and taking into consideration the level of capacity being carried across all 3 planning areas and year groups there are no plans to create any further capacity for the 2019 academic year.
- There does however remain a level of surplus capacity within the overall secondary estate that could be used to manage the risk should we begin to experience further in year growth.

iv) Challenges around Pupil Place forecasting

- The LA does not have any control over parental preference or cross border movement. Until the co-ordination process is completed (mid February) we cannot give any certainty on the offers for on time applications.
- The same can be said for appeals - these are independent and beyond the control of the LA or any individual school, therefore even though additional capacity may be put in place, the personal arguments put forward by parents may lead the panel to uphold the appeal resulting in the child being allocated at their preferred school.
- Our strategy manages the risk position based on forecast demand and looks at options and plans how to best meet demand across each planning area.

v) Projected Pupil Forecast and Strategy - 2020 / 2025

- The departure of the permanent post holder in Oct 2018, left the position vacant until the end of March 2019. Whilst the post has now been filled, further development is required to ensure the post-holder has the necessary knowledge and skills for the technical elements of the role.
- At present the ability to meet statutory reporting responsibilities, and to support planning of statutory functions, remains a risk. To mitigate this, development plans are being incorporated and the capacity of the team as a whole to meet SCC’s statutory obligations is being reviewed.
- In terms of the Pupil forecast data, this is reviewed on annual basis -next review is scheduled to take place in late July, in line with the LAs annual capacity survey return (SCAP).
- A full review and update of the current strategic plan is to also be undertaken at the same time.
- The Plan will forecast the predicted pressure going forward based on pupils already in the system that could derive from new housing. Along with setting out a clear framework for and approach towards the provision of places, including the capital and Revenue Funding to support Growth.

vi) Next steps - Information sharing with Head teachers

Secondary Offer Day - 1 of March as such there will always remain a risk around accuracy of numbers, especially prior to allocation day. In order to identify the risk position as soon as possible the LA intend to share data available on a regular basis once the application process data to be shared will include:

- Planned Admission Number (PAN) available across each planning area.
- Number of applications received per planning area.
- Number of Salford applicants applying outside Salford per planning area.
- Number of cross border pupils applying for Salford place.
- Late applications (children known and yet to apply).
- Risk position based on demand and actuals.

vii) Intelligence gathering from neighbouring LAs and Taking forward options to meet demand

- open earlier discussions with neighbouring LAs to ascertain their pressures and the level of capacity being carried, including any options they may be considering to create additional capacity i.e. expansion/academy free school.
- Options will be developed in conjunction and commitment from the Diocese, Governing Boards and Multi academy Trusts who are willing to increase their PAN based on the data available at a point in time. This will include agreeing to the funding available as agreed by School Forum.

Options for permanent expansions will be developed in line with the LAs adopted strategy and will include:

- Physical capacity and options for uplift on existing sites – this may include adjacent land/site required to allow for further uplift.
- Location - dot map data of pupil residency to identify most central location that would meet demand within a planning area. Consideration relating to any new major housing developments would also be factored in.
- Parental Preference - LAs have a statutory duty to comply with parental preference and are measured on the level of preference being met annually. If there is more than one option available across a planning area, then preferences would be included as part of the decision making process, although will not necessarily be the deciding factor.
• Growth and demand across various sectors i.e. faith schools.
• Affordability – funding availability and associated costs will play a part in
determining preferred schemes if there is more than one option.
• Current government legislation - The LA would avoid permanent expansion
of schools that do not have an overall rating of good or outstanding, unless
there was no other option and there was a strong case that expansion
would help raise standards.
• Willingness and buy in from Schools, GB and Multi Academy Trusts.

RESOLVED: THAT the report be noted.

6. STRATEGIC RISK REGISTER UPDATE Q4 AND STRATEGIC RISKS

Emma Reid submitted the Quarter 4 2018-19 Strategic Risk Register update.

She confirmed that Risk Management was about improving the Council’s ability to
deliver outcomes for the community by managing threats, enhancing opportunities
and creating an environment that adds value to ongoing activities.

A summary was provided of the latest strategic risks in relation to the delivery of
Salford’s priorities – The Great Eight.

It was confirmed that these were monitored through Corporate Management Team
and the Mayoral Team on a quarterly basis.

It was also noted that a full review of the council’s key risks would take place as part
of the council’s 2019-20 business planning process. A risk identification workshop
would be held in order to facilitate this process.

RESOLVED: (1) THAT the contents of the Quarter 4 2018/19 Strategic Risk Register
update and risk movement, be noted.

(2) THAT the review of the council’s Strategic Risk Register that is
taking place as part of the council’s business planning in 2019-20, be noted.

7. RESULTS OF SELF ASSESSMENT EXERCISE

RESOLVED: THAT, owing to the number of apologies for absence received for this
meeting, this item be deferred for consideration at the next meeting of this
Committee.

8. ANNUAL REPORT OF THE CHAIR

Councillor Robin Garrido introduced his report which provided further detail on the
activities and achievements from the Audits and Accounts meetings throughout the

It was confirmed that the report would then be submitted for consideration at a future
meeting of the Cabinet.
RESOLVED: THAT the Annual Report be approved; and that arrangements be made for the report to be submitted for consideration at a future meeting of the Cabinet

9. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT

Jean Gleave submitted her Annual Report which related to the activity undertaken by Salford City Council’s Internal Audit service during the period 1 April 2018 to 31 March 2019.

Details were provided in respect of a number of issues, including -

(i) Background

- Introduction
- Roles and Responsibilities
- The Objectives and Scope of Internal Audit

(ii) Audit Opinion

- Head of Internal Audit Opinion on the Effectiveness of Internal Control
- The Process of Arriving at the Opinion
- Summary of the Internal Audit work used to Inform the Opinion
- Audit Outcomes 2018/19

(iii) Effectiveness of Internal Audit

- Assessment against the Public Sector Internal Audit Standards
- Internal Quality Assurance and Improvement Programme
- Internal Audit developments
- Working with Other Assurance Providers
- Working Relationships

(iv) Appendices

- Audit Plan 2018/19 and Current Position
- Levels of Assurance
- Priority of Actions

RESOLVED: THAT the report be approved.

10. DRAFT ANNUAL GOVERNANCE STATEMENT (AGS)


She confirmed that all Local Authorities are required to produce an annual statement of corporate governance and that the statement, a public document, would be available on the Salford City Council website.
She reported that the statement contained details of the mechanisms that were in place to ensure that the City Council’s interests were sufficiently protected and that decision making was transparent and auditable.

The updated statement included changes to structures, governance procedures, policies and corporate objectives which had occurred since the last update.

The statement showed an “as-is” view of the governance structures but also looked at the issues being faced in the coming financial year.

It was confirmed that comments from Corporate Management Team and the Mayoral Team had been incorporated into the draft statement.

RESOLVED: THAT the draft Annual Governance Statement (AGS), be approved.

11. DRAFT STATEMENT OF ACCOUNTS

Chris Hesketh and Tony Thompstone submitted a report which contained the draft Statement of Accounts.

They confirmed that the 2018/19 statement of accounts and supporting working papers had been prepared and were authorised for issue by the Chief Finance Officer on 31 May 2019.

The documents had been presented to Mazars, the appointed auditor, on that date; the accounts were electronically circulated for information and consideration by the committee members and published on the council’s internet pages.

The audit process would conclude in July and the committee was scheduled to receive the auditor’s report at their meeting on 24 July alongside a revised draft of the accounts, incorporating any changes agreed during the audit.

RESOLVED: (1) THAT the draft 2018/19 statement of accounts presented to Mazars for audit, be noted.

(2) THAT the audit timeline, as detailed in the report, be noted.

(3) THAT the responsibility of the committee to authorise the statement of accounts at the conclusion of the audit, be noted.

12. GOING CONCERN REPORT

Chris Hesketh submitted a report providing

(a) details of the work undertaken in the assessment of the council as a going concern for the purposes of producing the Statement of Accounts 2018/19; and
(b) assurance to members on the council’s status as a “going concern”.

RESOLVED: (1) THAT the outcome of the assessment made of the council’s status as a “going concern” for the purposes of the draft statement of accounts 2018/19, be noted.

(2) THAT, relating to section 3.8 of the report, ‘objections to the accounts’ an update report in respect of ‘The PFI objection’ be submitted at the next meeting of this Committee.

13. EXTERNAL AUDITORS - AUDIT COMMITTEE UPDATE AND EXTERNAL AUDIT FEE LETTER

(a) Audit Committee Update - Progress Report

Chris Whittingham submitted a report providing an update on progress in the delivery of Mazars services as the external auditors for the Council.

(i) Audit progress

Since the Committee last met we have:

- Completed our detailed interim audit work including:
- Obtaining documentation of controls in the Council’s key financial systems, including undertaking walkthrough testing of key controls to confirm our understanding of those systems; and
- Testing transactions through the year to date to reduce the level of testing required at the final audit visit, and provide interim assurance on the material correctness of income and expenditure.
- Met with finance staff to clarify our requirements and expectations in respect of our 2018/19 final audit visit;
- Issued our ‘Client Deliverable List’ to the finance team, setting out the expected working papers and supporting information required to complete our final audit visit;
- Commenced our detailed audit work on the draft Statement of Accounts 2018-2019; and
- Continued our detailed audit work for our 2018/19 VFM conclusion; and

Based on the work completed to date there are no significant matters arising from our work that we are required to report to you at this stage.

The report also included a summary of emerging national issues and developments that may be relevant to the committee and a number of challenge questions in respect of these.

RESOLVED: THAT the report be noted.
b) **2019/20 External Audit Fees Letter**

Chris Whittingham presented the 2019/20 External Audit Fees Letter. It was confirmed that indicative fee was £105,513 plus VAT. Further details were provided on the planned phases of work which included the final accounts audit, value for money conclusion, whole of government accounts and grant certification.

RESOLVED: THAT the report be noted.

14. **FINAL INTERNAL AUDIT STRATEGY AND PLAN 2019/20**

David Smith submitted the finalised version of the internal audit strategy and work plan, developed for the financial year 2019/20.

This Internal audit strategy sets out how internal audit produced the plan of work and resourced that work. It linked with the Internal Audit Charter and Quality Assurance and Improvement Programme.

The internal audit plan was risk-based, and took into account information from various sources such as Service Group risk registers, discussions with Strategic Directors, previous years’ work, and those pieces of work expected of Internal Audit by the council’s External Auditors.

At an aggregate level, the strategy and plan were designed to provide a degree of assurance to the Committee that the council’s key risks were being managed appropriately.

Internal Audit would update Members on an on-going basis throughout the year by means of regular progress reports and audit committee summaries.

RESOLVED: THAT the report be noted.

15. **INTERNAL AUDIT PROGRESS REPORT**

David Smith submitted the Internal Audit Progress Report, the purpose of which was to inform Members of (a) the resources utilised by Internal Audit during 2019/20, (b) the activities undertaken in the reporting period and (c) the status of work currently being undertaken.

RESOLVED: THAT the report be noted.

16. **COUNTER-FRAUD BRIBERY AND CORRUPTION ANNUAL REPORT**

Jean Gleave submitted a report which provided details of the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring within and against the council.
This supported the requirements of the Accounts and Audit Regulations 2015, which stated that the council must have measures in place “to enable the prevention and detection of inaccuracies and fraud.” (In this context, fraud is taken also to have referred to cases of bribery and corruption)

The report also provided details of the planned work for 2019-20 and highlighted some of the current and emerging areas of fraud risk and provides a conclusion on the effectiveness of the council’s arrangements to minimise the risk of fraud.

RESOLVED: THAT the report be noted.

17. URGENT BUSINESS - PART 1

There were no items of urgent business.

18. DATE OF NEXT MEETING

RESOLVED: THAT the next meeting of this Committee be held on Wednesday 24 July 2019 in a Committee Room at the Salford Civic Centre, Chorley Road, Swinton at 2.00pm