

Audit and Accounts Committee

Conducted as a Live Teams Meeting (audio only)

Date: 21 October 2020

Meeting commenced: 2:00pm

Meeting ended: 3:50pm

Present:

- Councillor Robin Garrido: In the Chair
- Councillors: Joshua Brooks, David Jolley, Roger Jones, Mike Pevitt, John Walsh.
- Vittoria Bugana (Co-opted Member); Edoardo Bucci (Co-opted Member)

Public: None

Officers:

- Simon Bleckly – Counter Fraud Manager
- Jean Gleave - Head of Internal Audit
- Chris Hesketh – Head of Financial Management
- Karen Murray - External Auditor Mazars
- Sian Roxborough – City Solicitor
- David Smith – Internal Audit Manager
- Liz Wright - Senior Democratic Services Officer

1. Apologies for absence

Apologies for absence were submitted on behalf of Councillor Hinds and Councillor Coen, Joanne Hardman and Ben Dolan.

2. The committee is asked to consider whether it agrees to the inclusion of the items listed in Parts 1 and 2 of the agenda

It was confirmed that all items were Part 1 items.

Resolved: That the items included on the agenda for this meeting be approved.

3. Declarations of interest

Councillor Garrido declared the following interest:

- Forviva Group (Main board member for the Group, Chair of the Development Committee Member of the Audit and Accounts Committee)

4. To approve, as a correct record the minutes of the previous meeting

Resolved: That the committee approved, as a true and correct record, the minutes of the previous meeting held on 23rd September 2020.

5. Matters arising

- Item 6: The Strategic Risk Register:** The committee had asked whether reporting to the committee on the risk register on a six-monthly basis was frequent enough. Jacquie Russell (The Assistant Director – Strategy & Change) had responded to the Chair and the Chair read the response to the committee. Jacqui had consulted Councillor Kelly as the Lead Member for Performance and it was confirmed that reporting on a six-monthly basis was appropriate in light of the robust reporting procedures in place and that Cabinet also received a six-monthly update. There could be exceptions to this in certain circumstances, if any risk or disruption emerged outside the normal reporting arrangements, and the committee could request an

update under these circumstances. The Chair asked members whether they would approve these arrangements and the members agreed unanimously.

- b. Item 7: Internal Audit Charter - Academies:** It was confirmed that the local authority (LA) did not have any financial responsibility for academies in terms of accountability and academies were not required to report to the local authority, as they have their own separate financial reporting framework.

Resolved: That the update on the Strategic Risk Register be presented to the committee on a six-monthly basis, with the exceptions as outlined above.

6. Audit and Accounts Committee Self-Assessment

- The chair reminded members who had not yet responded to the Self-Assessment to still respond as their views were important.
- David Smith (Internal Audit Manager) presented the report that was to inform the members of the results of the self-assessment exercise, and to gain the committees approval of proposed actions.
- The Internal Audit Manager had collated the responses and updated members on the results so far. The results received had been very positive and had not highlighted any areas of concern, but there were 5 areas that had less positive scores. These included:
 - *Does the audit committee report direct to Full Council?* It was reported that the Chair's Annual Report was presented at Cabinet and shared with Full Council.
 - *Has the membership of the committee been assessed against the core knowledge and skills framework and been found to be satisfactory?* It was reported that the independent members were assessed during the recruitment process and there were routes that could be taken if it was required to assess elected members.
 - *Has the committee gained feedback on its performance from those interacting with the committee?* It was suggested that views could be sought from the external auditors and officers attending the meetings and this could be fed back into the Chair's Annual Report.
 - *Has the committee got an action plan to improve any areas of weakness?* The issues highlighted would form the basis of an action plan and would be monitored to feed back into next year's action plan and the Chair's Annual report.

The committee members asked the following questions and made the following comments:

- The Chair requested that the external auditors and officers attending could be asked to complete a feedback to feed into the self-evaluation.
- A member suggested that a skills audit could be used as part of the induction programme for new councillors and that training on the work and role of the Audit and Accounts Committee should be offered to all councillors.

Resolved: That, the members noted the report and approved the suggestions as detailed above.

7. Annual Governance Statement

Sian Roxborough (City Solicitor) and Jean Gleave (Head of Internal Audit) presented the report that was recommending approval of the AGS and highlighted the following:

- The purpose of the report was to present the final AGS or 2019/20. The AGS supported the Council's Statement of Accounts and outlined how it manages its affairs to deliver high quality services and ensure that public money is spent effectively.

- It was a statutory requirement to produce an AGS and once approved that it was made available to the public on the Salford City Council website, as required. The purpose of the AGS was for the city council to report publicly on the extent to which it complies with its own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and also to report on any planned changes in the coming period.
- The AGS contained details of the mechanisms in place to ensure that the City Council's interests were sufficiently protected and that decision making was transparent and auditable. The statement takes account of changes to structures, governance procedures, policies and corporate objectives which have occurred since the last update.
- The draft AGS had been presented at the July meeting of the committee and had also been to the Corporate Management Team (CMT) as part of the consultation process.
- There had been minor amendments made to the draft in response to the Covid19 pandemic, climate change, the Greater Manchester Spatial Framework (GMSF) and Brexit.
- Attention was drawn to the following sections of the AGS where amendments had been made:
 - Section 5 – more details on the response to the Covid19 pandemic and Brexit.
 - Section 6 – included a paragraph on climate change and details about the GMSF.

The committee members asked the following questions and made the following comments:

- A member asked about the implications of the Clean Air Act. It was reported that the Act was still at the consultative stage and so the implications were not fully known and it was proposed to for inclusion in the AGS for 2020/21. This was agreed.
- A member asked if late changes could be made due to the Covid19 pandemic and it was confirmed that further changes could be made to the AGS, if needed, up to the time the Statement of Accounts were approved.

Resolved: That, the committee approved the Annual Governance Statement.

8. Audit of 2019/20 Statement of Accounts

Chris Hesketh (Head of Financial Management) gave a verbal Covid19 financial update as well as presenting the report, which commented on the external auditor's audit of the 2019/20 statement of accounts and provided supporting information to the auditor's report *The Audit Completion Report for Salford City Council* also being considered at this meeting.

In the Covid19 update he highlighted the following:

- The forecast deficit in this financial year was around £11M, after the application of the general grants from Government and before receipt of any Sales, Fees and Charges Grant.
- The next return to the Ministry of Housing Communities and Local Government (MHCLG) would highlight the pressures relating to the Collection Fund, which can be deferred for a number of years.
- Recent new grants were explained, including the second tranche of the Infection Control Grant of around £2M.
- An initial £300,000 had been received for Contain Funding and £183,000 for Surge Funding (for control and enforcement).
- Monies distributed to businesses through the various business rates grants came to £46.7M. Customer Services officers had worked hard to distribute the grants and officers from Internal Audit had helped design the process involved and monitored to ensure accountability and prevent fraud.

- Around £2M Contain Management Funds were expected due to the city being in a very high risk area in terms of Covid19.
- A further allocation of Emergency Grant funding had still to be confirmed by Government. If it was based on previous allocations it could be around £5M for the city. This was be non-recurrent funding.

Members questions and comments on the Covid19 update were addressed at this point.

- A member asked about concerns raised by businesses in Salford that they were not getting access to the business grants and concerns over fraudulent claims/applications for loans. It was confirmed that some complaints had been received but not in significant numbers. Some applications for grants had been declined but this was because they did not meet the Government criteria. There may have been misunderstandings about who was entitled to grants, rather than fraudulent claims, and these had been picked up and dealt with through the application process. Salford City Council was not involved in the Bounce Back Loan Scheme and the Business/Large Business Interruption Loan Schemes, which had been the focus of reports about fraud with these loans in the national media. These grants and loans were national schemes and the Government was investigating these reports.
- A member asked about Greater Manchester (GM) level funding (business support and track and trace monies) and how this would be administered and distributed. The detail of this was not yet known.

The Head of Financial Management then introduced the Audit of 2019/20 Statement of Accounts Report from the Chief Finance Officer (CFO) and highlighted the following:

- The audit would not conclude until towards the end of November, when they would then need to be approved by the committee.
- The CFO agreed with the external auditor's findings in the report and had made amendments to the unaudited version of the 2019/20 statement of accounts accordingly.
- The CFO had also welcomed the findings in the *Value for Money* section of the auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- Thanks were given to the Strategic Finance Manager (Tony Thompstone) and his team and the external Auditors team for all the work that had gone into producing the Statement of Accounts (SOA) and carrying out the audit.

The Strategic Finance Manager reported that:

- The statutory deadlines for the completion of the audit had been revised this year in light of the Covid19 pandemic. The council had submitted its completed SOA in July before the revised deadline at the end of August.
- The audit was ongoing and the report recommended that members:
 - consider the contents of the auditor's Audit Findings report and this supplementary report;
 - and, should they wish, request further detail on any issue of concern;
 - authorise the changes to the statement of accounts outlined in the audit findings report;
 - authorise the committee chair to sign the statement of responsibilities within the statement of accounts following the completion of the outstanding audit work, only if it is not possible to have an additional audit and accounts committee meeting in November.
 - Note the representations to be made by the Chief Finance Officer (Appendix A).

- Delegate authority to the Chief Finance Officer to agree any further late changes to the statement, should they be required, subsequently to be reported to the committee chair for approval, only if it is not possible to have an additional audit and accounts committee meeting in November.
- The members agreed to hold a special meeting for the approval of the SOA and that the meeting would be held on 25th November at 2pm.

Resolved: That the committee approved the recommendations in the report and agreed to hold a special meeting on 25th November to approve the SOA.

9. External Auditors: Audit Completion Report - Mazars

Karen Murray (External Auditors – Mazars) presented the report which detailed the findings from their work on the financial statements and their conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources and their conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which included:

- Management override of control
 - Valuation of land and buildings;
 - Defined benefit liability valuation;
 - Applicability of group financial statements;
 - Accounting for PFI and LIFT schemes;
 - Valuation of airport shares; and
 - Accounting for schools.
- The audit was ongoing on the audit.
 - Despite the challenging circumstances it was the expectation that an unqualified audit opinion would be issued along with an unqualified Value For Money (VFM) conclusion.
 - The report contained a RAG (Red, Amber, Green) table highlighting the outstanding work and since the report was written the Heritage Asset work had been completed.
 - Materiality (since the audit planning stage) was reported to have reduced slightly from £16M to £15M due to a reduction in council spending over the year from what had been expected.
 - The risk areas were set out in the report and the work done in response to those risks and what the auditors had found.
 - The risk associated with Properties, Plant and Equipment was highlighted because of the estimated values due to Covid19 was reported as a valuation uncertainty. The auditors had to highlight this as an Emphasis of Matter but added that this would be common to other LAs and LAs in the GM area, due to the impact of Covid19.
 - Pension liabilities were highlighted as there was also an issue for the Pension Fund with valuation uncertainty because of its investments in property.
 - The auditors were happy with the valuation of the shareholding in Manchester Airport and the work with schools.
 - In terms of VFM for future years this would be challenging for the council due to Covid19 and the reduction in fees and charges and council tax and business rates and increase in costs.
 - Members were advised that using reserves to support ongoing revenue spend was not sustainable in the longer term.

- The Head of Financial Management commented that the council been able to approve a three year balanced budget strategy prior to the pandemic, this sound financial management had meant that the council had not been impacted as hard as some other LAs. He reported that the Lead Member for Finance and Support Services would be presenting the revised three year budget strategy to Cabinet in the next few weeks.
- The Chair thanked the external auditors for the comprehensive report and update.

Resolved: That, the committee noted the report.

10. Final Internal Audit Strategy and Plan 2020/21

The Head of Internal Audit presented the report and Members are requested to review and comment on the Internal Audit Strategy and Plan for 2020/21 that was circulated with the report.

- The draft plan was brought to the committee in June 2020 and this was the final strategy and plan for approval. All the Directorates senior leadership teams (SLT) had been consulted to ensure that the work on the plan remained relevant, was of value, still reflected the directorates priorities and that it was realistic and practical in the current circumstances.
- The plan was a risk based plan and it was also important that the plan was flexible to cope with the rapidly changing work environment.
- There had been a small number of amendments to the draft plan (three audits had been removed from the plan and two had been combined). It was an ambitious and challenging work plan and any outstanding items would be transferred to next year's plan (subject to consultation with the committee and key stakeholders).
- Any changes to the plan during the year would be discussed with the CFO and any significant changes would be reported to the committee in the regular progress reports.

The Internal Audit Manager reported that the audits removed from the plan were:

- For the Service Reform Directorate – an audit focusing on planning, risk and performance that their leadership did not view as a priority at this time;
- For the Place Directorate – audits focusing on overtime claims, timesheets and use of agency workers where a lot of work had already been done and an overarching audit addressing agency working across the council was already included in the plan;
- Audits for Early Help and Helping Families Troubled Families Project (for GM) were being combined.

The members were invited to comment and ask questions and the following were raised.

- A member asked if the risks around agency workers and the IT policy were higher now due to the Covid19 pandemic and if the time allocated for the audits was still sufficient. The Internal Audit Manager confirmed that the days shown in the plan were indicative and the time allocated could change, as it was reviewed with the senior managers at the time of scoping the audit to ensure it was sufficient. This also ensured that the audit would reflect the changing risk environment.

Resolved: That, the committee approved the Final Internal Audit Strategy and Plan 2020/21.

11. Internal Audit Progress Report

The Internal Audit Manager presented the regular progress report and highlighted the following.

- Progress had been affected owing to the impact of Covid19. Table 1 showed the assurance, validation reports that had been released.

- Draft reports were awaiting approval, including reports for Service Desk Management and Project Imagine. Other draft reports awaiting completion included ones focused on personal budgets, homelessness and pupil modelling.
- In terms of the Covid19 response, Internal Audit had been providing assurance around the grants and isolation payments and providing resources where required.
- Work was ongoing covering payment card industry scheme compliance and squad transformation.
- Work was ongoing with the Welfare Debt Advice Service, around blue badges and the High Needs Block funding.
- The report also contained details of how Internal Audit was complying with audit standards during the Covid19 pandemic.

The members were invited to comment and ask questions and the following were raised.

- A member asked how long the work with the children's homes was likely to be on hold. It was confirmed that it was difficult to predict when visits to the homes would be permissible in the current situation and the work could not continue without direct access. If at any time the level of risk increased, or a specific issue was identified, it would be looked at again. A test plan was ready so that when visits could resume the work could commence again quickly.
- A member asked how the risk of visiting or not visiting a home would be balanced. It was advised that it was a watching brief on the homes and similarly on the schools, but nothing urgent in these settings had been brought to the attention of the Internal Audit at this time.

Resolved: That the committee noted the report.

12. Additional external audit fees (Grant Thornton)

The Head of Financial Management gave an update on the amended fees letter presented by Grant Thornton UK LLP and highlighted the following.

- Grant Thornton UK LLP ended its appointment as the Council's external auditor at the completion of the 2017/18 audit. At the time of issuing the Annual Audit Letter in October 2018, there were two objections that remained outstanding. These objections have now been completed and completion certificates issued for 2016/17 and 2017/18.
- The fees slide included in the 2017/18 Annual Audit Letter had been updated to incorporate the final fees for the additional work associated with the two objections and the requirement to issue an enhanced audit report.
- It was recommended that the additional fees were accepted.
- The Chair confirmed that he had had assurance that the fees were within what the normal scale would be.

Resolved: That, the committee approved the report and the additional fees as detailed.

13. Counter Fraud Bribery and Corruption Report

Simon Bleckly (Counter Fraud Manager) presented the report and highlighted the following.

- The purpose of this report is to inform the members of activity to manage the risk of fraud, bribery or corruption during 2020/2021 to date and covered:
 - The national picture on fraud – the effect of the COVID-19 pandemic;
 - The management of fraud risk in the support schemes administered by the Council;
 - Fraud risk assessment;
 - A summary of recent anti-fraud work and investigations carried out;

- An update on Council Tax Support / Single Person Discount;
 - Tenancy fraud;
 - The national fraud initiative;
 - Joint working with the Department of Work and Pensions;
 - Significant investigations; and
 - Other work undertaken.
- The two full time officers had spent most of their time focusing on the dispersal of the grants available due to the Covid19 pandemic and the amount of the work involved had impacted on the other work that would usually be undertaken. How the regular work was carried had also been affected, due to the restrictions on contact and visits due to the impact of Covid19.
 - The risk with Covid related fraud was both opportunist fraud and organised frauds.
 - An action plan was being developed to help mitigate risk and deal with scams against the public.
 - There was assurance that Salford City Council was in line with best practice for making sure appropriate controls were in place, when compared to other LAs nationally and regionally and that the council had done what it could to minimise the risk of fraud.
 - The level of reported cases of fraud was in line with other LAs.
 - As much as possible counter fraud work would be done remotely and by integrating data.

The members were invited to comment and ask questions and the following were raised.

- A member asked what the level of fraud was in cash terms. It was confirmed that the fraudulent business grants had varied in size and the Internal Audit Manager would provide all the members with a copy of the report submitted to the Government with the details of fraudulent claims.

Resolved: That, the committee noted the contents of the report.

14. URGENT BUSINESS – PART 1

There was no urgent Part 1 business.

15. EXCLUSION OF THE PUBLIC

Resolved: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the ground that they involve the likely disclosure of exempt information as specified in the paragraphs of Part 1 of Schedule 12A to the Act.

Part 2 – Closed to the Public

There were no items of Part 2 business.

16. Urgent business – Part 2

There was no urgent Part 2 business.

17. Date of the next meeting

The dates of the future meetings listed below were confirmed and it was agreed that members would meet from 1:45pm for the 2pm start.

- Wednesday 25 November 2020 at 2pm – a special meeting for approval of the Statement of Accounts
- Wednesday 20 January 2021 at 2pm
- Wednesday 24 March 2021 at 2pm

Committee Members attendance 2020/21

✓ = present; A = Apologies submitted; Blank = No apologies submitted.

Councillor	Jan	March	June	July	Sept	Oct	Jan	March
Councillor R Garrido (chair)	✓	Cancelled due to Covid19	✓	✓	✓	✓		
Councillor J Brooks	✓	Cancelled due to Covid19	✓	A	✓	✓		
Councillor P Coen		Cancelled due to Covid19				A		
Councillor D Jolley	✓	Cancelled due to Covid19	✓	✓	✓	✓		
Councillor R Jones	✓	Cancelled due to Covid19	✓	✓	✓	✓		
Councillor M Pevitt	✓	Cancelled due to Covid19	✓	A	✓	✓		
Councillor John Walsh	✓	Cancelled due to Covid19	✓	✓	✓	✓		
Councillor B Hinds (invitee)	A	Cancelled due to Covid19	✓	✓	✓	A		
Vittoria Bugana (co-opted member)	✓	Cancelled due to Covid19	✓	✓	A	✓		