

Audit and Accounts Committee

In-person meeting in The Salford Suite, Salford Civic Centre.

Date: 25 January 2023

Meeting commenced: 2:30pm

Meeting ended: 3:50pm

Present:

Councillor Turner in the Chair

Councillors Pepper, G. Reynolds and Tetteh (Vice Chair)

Ed Bucci (Co-opted Member)

Officers:

Simon Bleckly

Head of Internal Audit

Joanne Hardman

Chief Finance Officer

Bev Hinks

Principal Performance Officer

Karen Murray

External Auditor (Mazars)

Emma Reid

Joint Head of Planning and Performance

David Smith

Internal Audit Manager

Two recently appointed Audit Staff observed the meeting

Chris Howl

Democratic Services

2PM - 2:30PM FOR MEMBERS ONLY: TRAINING – EVALUATING THE EFFECTIVENESS OF THE AUDIT COMMITTEE, INCLUDING BRIEFING ON THE SELF ASSESSMENT EXERCISE – DAVID SMITH/ SIMON BLECKLY

1. Apologies for absence

Apologies for absence were submitted on behalf of Councillor Jones, Councillor Shama and Iolanda Puzio City (Solicitor and Monitoring Officer).

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

- The Committee agreed to the inclusion of the items listed in Part 1 of the agenda.
- There were no part 2 items for the Committee to consider.

3. Declarations of Interest

Councillor G Reynolds indicated that she has recently become a member of the Grieves Trust.

4. To approve, as a correct record, the minutes of the previous meeting held on 26 October 2022

RESOLVED: THAT the minutes of the above-mentioned meeting be approved as a correct record.

5. Matter Arising

There were no matters arising from the previous meeting held on 26 October 2022.

6. Private meeting for the committee with Internal Auditors (Head of Internal Audit – Simon Bleckly)

It was noted that this only needs to be held once annually and had taken place prior to the 26 October 2022 meeting.

7. Half Year 2022-23 Strategic Risk Register Update (Joint Head of Planning and Performance – Emma Reid/ Principal Performance Officer – Bev Hinks)

Consideration was given to the Half Year 2022-23 Strategic Risk Register Update, which in Salford is about improving the council's ability to deliver outcomes for the community by managing our threats, enhancing our opportunities and creating an environment that adds value to on-going activities.

The update report, attached at Appendix 1, provided committee members with a half-year update of the current strategic risks to the delivery of Salford's priorities, which are monitored through Corporate Management Team (CMT) and Cabinet Briefing.

The council has had a Risk Management Strategy and Process in place since 2001, that describes our approach to risk management in Salford, both a statutory requirement and an important part of planning for organisations. Our arrangements in the Risk Management Strategy and Process will be reviewed and refreshed again in Spring 2023 to ensure that our approach remains robust and current.

In the council operational or service specific risks are captured within Service Group Risk Registers in 2022-23 Service Group Business Plans, which are identified in line with the council's Risk Management Strategy and are aligned to the council's priorities – The Great Eight.

As at the half-year point of 2022-23 (30 September 2022), there are 9 risks in the council's Strategic Risk Register, of these:

- 7 have a risk score between 12 and 16 (RAG rated as High, Red):
 - Financial resilience (12).
 - Stability and capacity of workforce and maintaining a strong organisational culture (12).
 - Infectious disease outbreaks (including Coronavirus) (12).
 - Ukraine support plans (12) (added April 2022).
 - Inability to deliver minimum service levels/ statutory service levels as a result of a business interruption/ emergency incident (16).
 - Cyber security (16).
 - Impact of Cost-of-Living crisis on people living and working in Salford (16) (added September 2022).
- the remaining 2 risks have a score between 6 and 12 (RAG rated as Medium, Amber):
 - Effective governance and decision making (8).
 - Impact of climate change (9).

An update on all the risks contained in the council's Strategic Risk Register was attached at Appendix 1.

The 2023-24 business planning process is currently underway, and Service Groups are currently developing their Business Plans and Service Group Risk Registers. Alongside this process CMT will be reviewing and refreshing the council's Strategic Risk Register. By the end of April 2023 business plans will have been finalised and this review will have taken place, following which the revised Register will be presented to Audit and Accounts Committee.

Ed Bucci queried in respect to the financial resilience risk, which areas are currently most affected by inflation? The Chief Finance Officer responded identifying both energy costs and pay, plus several contracts (whereby materials costs have risen).

Ed Bucci asked what our rate of inflation assumptions were for the next three years? The Chief Finance Officer responded that the council believed that inflation would only start to reduce from

2024 and that we haven't built-in any increased reserves (based upon Treasury Management Advisor advice).

Cllr Turner asked what has the council been able to do to cover the known and expected budget cost increases? The Chief Finance Officer responded that the council has so far covered the £3.5m increased pay and has actively managed its energy usage/ costs via contract management.

Cllr Tetteh requested that at the next reporting of the Strategic Risk Register Update, that responsible climate change officers attend for the item so that questions/ queries can be asked on the matter.

ACTION: the Joint Head of Planning and Performance to arrange and ensure that at the next reporting of the Strategic Risk Register Update, that responsible climate change officers attend for the item so that questions/ queries can be asked on the matter.

RESOLVED: THAT Members noted the contents of the half-year 2022/23 Strategic Risk Register update attached at Appendix 1.

8. Update on the provisional budget settlement (Verbal Update) – Chief Finance Officer (Joanne Hardman)

The Chief Finance Officer provided a verbal update on the provisional budget settlement, the headlines of which consisted of:

- provisional settlement was received pre-Christmas 2022, on the heels of the autumn 2022 fiscal event.
- very few if any headlines were trailed in advance.
- Government confirmed Council Tax principles (councils are able to increase from 3% to 5% for core funding, with 2% social care element on-top (expecting the same approach for 2024/25 too).
- we've been working upon indicative allocations, pulling together a number of grants, business rate and council tax sources – the latter is forecast to continue to grow for several more years yet).
- the autumn 2022 social care charging caps have been deferred from 2023 to 2025 and are expected to come to local government for allocation.
- we've received any extra £12m (for children's contributing towards outside placement and transport costs and for adults contributing towards social care costs).
- the new homes bonus is continuing for another year (we receive the third highest amount nationally as recipients).
- we're going to receive an inflationary uplift in respect of revenue support grant (an extra £2m).
- we've lost some funding though: £500k lower tier services grant and £2.2m services grant (some of the latter has been re-appeared as part of our extra revenue support grant, so effectively cost neutral).
- the business rate retention scheme is only scheduled to remain for one more year.
- our settlement has allowed us to continue with our real living wage and Salford Assist commitments.
- as announced by the City Mayor, we have a savings target of £5m.
- it seems that Government is wanting to know more about local governments experience of S144 declaring bankruptcy notices.

Cllr G Reynolds asked if we're going to be able to achieve our savings target? The Chief Finance Officer responded that we're confident that we will through a range of measures from the new

Innovate Programme to service budget savings, plus with the impending 'fair funding' review it's hoped that future settlements will be more transparent going forward.

Cllr G Reynolds enquired if it's still the intention for Aspire to come back in-house, and if so, is our social care budget amount sufficient? The Chief Finance Officer responded that we're awaiting confirmation of our health care partners budgets/ allocations, which we need to know before we can clarify our budgets and thus intention.

Cllr Tetteh asked for receipt of actual report to go alongside this verbal update in order to be able to appreciate the position.

ACTION: the Chief Finance Officer to produce a position report, to be shared with Audit and Accounts Committee members.

Cllr Tetteh enquired that given our unsuccessful recent levelling-up bid, what can we do to learn from and improve in the future? The Chief Finance Officer believed that we were always an 'outsider' because we weren't in the relevant highest category of need (in GM being level 2 rather than level 1), but we always review and benchmark ourselves and we did receive £13m in the first round.

Cllr Tetteh asked if the council has the capacity to bid for and attract funding? The Chief Finance Officer confirmed that bidding currently rests with service groups themselves, so that Place bid for housing and town centre funds, however, capacity is always an issue.

RESOLVED: THAT Members considered and noted the verbal update.

9. Internal Audit Progress Report – Deputy Head of Internal Audit (David Smith)

Consideration was given to the Internal Audit Progress Report (including Counter Fraud, Bribery and Corruption Update), which provided an update informing Members of the resources utilised by Internal Audit during 2022/23 and outcomes, including work reported in this period (November 2022 – January 2023), currently being undertaken and new work commenced.

A summary of activity details provided included:

a) audits completed and reports issued:

- 4 audits have been finalised, since the last progress report, and the corresponding number of agreed actions and overall level of assurance provided for each of those audits.
- summary reports have been provided to Committee Members for each of these 4 reviews.

b) post implementation reviews (PIR's):

- one PIR's has been finalised in this period in respect of Wharton Primary School (actually a second PIR) – showing the number of agreed actions and the number of those actions now implemented or outstanding. It also provides an indication of the direction of travel regarding the overall level of assurance.
- more detailed Committee Summary reports have been provided to Committee Members for this PIR ahead of this meeting:
 - Wharton Primary School.

c) OTHER WORK:

- Assurance Work (Reporting): draft reports have been issued or are being prepared in the following areas:
 - Meeting Demand and Service Resilience – Salford Assist.
 - Fixed Assets (Financial Reporting).

- Meeting Demand and Service Resilience – WRADAS.
- WRADAS PIR.
- Planning for 2023/24: annual planning activity has commenced, the team spending time with each Assistant Director to refresh/ update our understanding of their portfolios, key strategic and operational risks, and the existing assurance (4 lines of defence) around those risks and the services they lead. This work will help prioritise audits for 2023/34, subject to further consultation with each directorates' leadership team.
- Grant Certification: providing assurance that the following grants have been used in accordance with the respective awarding bodies' requirements:
 - Transport Capital Block and Pothole Grant Certification.
- Covid-19 Business Grants and Energy Rebate Payments: post payment assurance work continues to be undertaken in response to the Government Department for Business, Energy & Industrial Strategy (BEIS) requirements:
 - assurance exercises and returns have been completed.
 - we continue to support efforts to recover any grants paid any businesses paid in error or frauds.
- Pre-payment assurance work continued on payments made to residents as part of the Government's Energy Rebate scheme. The original scheme concluded in November 2022, however, a new scheme of support to households not in receipt of payments/ reductions direct via their energy providers as part of the Government's Energy Bill Relief Scheme, is due to commence in January 2023.
- Information Governance and Data/ Digital: providing on-going assurance and consultative support to the council's continued compliance with the requirements of:
 - ISO 27001.
- Supporting Squads, Transformation and Change: Internal Audit is currently involved in 'squads' supporting:
 - Procurement Governance Squad: providing consultancy advice.
 - ad-hoc assurance and consultative support to the project Innovate workstreams.
- Resources:
 - the team is to its normal resource level, following two Internal Auditors joining up with the team in October 2022.
 - sickness levels have remained negligible with no discernible impact on the Team's performance.
- Collaboration:
 - we have on-going practitioner representation on sub-groups of the North West Heads of Internal Audit Groups, the groups have been established to share good practice in audit across the region:
 - Contract Audit Group
 - IT Audit Group (chair)
 - Schools Audit Group (chair)
 - Fraud Group
 - the Deputy Head of Internal Audit is a member of CIPFA North West's Audit, Risk and Governance Group, which discusses developments within the profession and relevant

changes in the public sector and organises training and development events for public sector auditors within the region.

- the Head of Internal Audit attends the North West Chief Audit Executive Group meetings, is a member of the Local Authority Chief Auditors Network and chairs the Fighting Fraud and Corruption Locally Operational Group – this enables the identification and sharing of best practice nationally in respect of internal audit and counter fraud.
- Corporate Counter Fraud and Investigations:
 - the team continues to be available to support the business with internal investigations, providing technical skills and advice when called upon and managing the whistleblowing hotline/ online referrals (totalling 67 separate responses for this period).

Cllr Pepper enquired if the Standards in Public Life spotlight on gifts/ hospitality refresh can be completed sooner rather than later? The Internal Audit Manager responded that it was progressing but was aligned to the constitution/ governance review, as per previous discussion here with the Solicitor and Monitoring Officer.

Cllr G Reynolds stated that it was good to see improvement at Wharton Primary School and was surprised by the on-going issues at Holy Primary School. The Internal Audit Manager responded by confirming that quite a few schools resist having risk registers.

ACTION: the Head of Internal Audit to share the self-assessment questionnaire with Audit and Accounts Committee members.

The Head of Internal Audit indicated that a counter fraud report will be coming before the committee later in the year, the first since pre-COVID.

RESOLVED: THAT Members considered and noted the verbal update.

10. External Auditors Updates: External Auditors – Mazars – Karen Murray

Consideration was given to the Audit Planning Update and Progress Report (as of January 2023), which provided the Committee with an update on progress in Mazars delivery of their responsibilities as the council's external auditors. A summary of activity details provided included:

a) Audit Progress:

2020/21 Audit:

- Financial statements audit:
 - there was an outstanding issue relating to the Audit Completion Report for 2020/21, in respect to accounting treatment of the pension liability for social care staff who transferred across to the NHS as part of the integration of health and social care services. The Council has decided they should recognise the pension liability for the services transferred to the NHS as ultimately, this liability lies with the Council. They are also applying the statutory override for pension accounting. We are currently discussing the disclosure requirements for this change in accounting policy which will also require a prior period adjustment.
 - three issues relating to the valuation of the Council's infrastructure assets, investment in Manchester Airport shares and the fair value disclosures of the airport loans have arisen during our 2021/22 audit which will apply retrospectively to the 2020/21 financial statements.
- Value for money arrangements:

- value for money commentary was reported in our progress report to the June 2022 Committee, the commentary will be incorporated into our Auditor's Annual Report when the opinion has been given on the financial statements.
- Whole of Government Accounts (WGA):
 - whilst the National Audit Office has issued its auditor instructions for the 2020/21 WGA process, they are yet to decide on a sample of authorities to undergo additional audit procedures. We have not submitted the required certification to the NAO as we have not yet given the opinion and we are still unable to fully conclude this matter.

2021/22 Audit:

- Financial statements audit – nearing completion of our financial statements audit for the year ending 31 March 2022, expecting to report our draft Audit Completion Report to the next Audit and Accounts Committee meeting. The key areas of work outstanding are:
 - fraud, laws and regulations.
 - payroll.
 - property, plant and equipment.
 - leases and PFI.
 - Net Pension Liability.
- Value for money arrangements – we've not yet received the Council's updated self-assessment of its arrangements, we're completing our fieldwork on the Council's arrangements for the 2021/22 financial year and intend to report the findings from our work on the Council's value for money arrangement in our final Audit Completion Report. There are no matters arising from the fieldwork completed to date to report to the Committee.

2022/23 Audit – we're commencing our planning for the audit of the 2022/23 financial statements and value for money arrangements at the conclusion of the 2021/22 audit (encompassing a change to an auditing standard (known as ISA 315), which applies from 2022/23).

- b) National publications – the following have been issued:
 - Financial Reporting Council (FRC) – FRC Major Local Audit Inspection Report (October 2022).
 - Chartered Institute of Public Finance and Accountability (CIPFA) – CIPFA publishes integrating care report (December 2022).
 - National Audit Office (NAO) – Government shared services (November 2022).
 - Department for Levelling Up, Housing and Communities – Departmental Overview 2021-22: Department for Levelling Up, Housing & Communities (December 2022) and Local government finance policy statement 2023-24 to 2024-25 (December 2022).
 - Public Sector Audit Appointments Ltd – News release: Publication of the 2022/23 fee scale (November 2022) and Directory of Auditor Appointments from 2023/24 (December 2022).
- c) Revised ISA315 – revised auditing standard for identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019) (Effective for audits of financial statements for periods beginning on or after December 15, 2021).

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to the 2022/23 audit are:

- enhanced risk identification and assessment.
- greater emphasis on IT.
- increased focus on controls.

In terms of impact on the audit of the council, our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment and at this stage are not aware of any significant changes. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

RESOLVED: THAT Members noted the update report.

11a. Work Programme 2022/23

Consideration was given to the Committees work programme, whereby it was agreed that the next meeting of the Committee is Wednesday 22 March 2023 at 2pm, with the following agenda:

Part 1

- Self-Assessment Exercise (Assessment) (David Smith)
- Internal Audit Progress Report (David Smith)
- Draft Statement of Accounts (Joanne Hardman/ Tony Thompstone)

AND

- Annual Governance Statement (Simon Blackly)

OR

- Audit and Accounts Committee Terms of Reference (Iolanda Puzio/ Simon Bleckly)

AND

- Report on the Effectiveness of Internal Audit (Simon Bleckly)

THEN

- External Auditors Update (Karen Murray)
- Draft Internal Audit Plan (Simon Bleckly)

Part 2

- Completed Investigations (David Smith)

RESOLVED: THAT Members noted the work programme.

11b. Membership

It was noted that as a result of changes to Lead Member, that Cllr Youd will be replacing Cllr Hinds as Chair of the Audit and Accounts Committee.

ACTION: the Head of Internal Audit to progress the advertisement and recruitment of the one vacant Independent Member position with the Solicitor and Monitoring Officer.

12. Any Other Business

There were no items of any other business.

13. URGENT BUSINESS – PART 1

There was no urgent business raised.

14. EXCLUSION OF THE PUBLIC

The officers consider that the following items contain exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item. At the time this agenda is published no representations have been that this part of the meeting should be open to the public.

15. URGENT BUSINESS – PART 2

There was no urgent business raised.

16. Date of the next meeting

RESOLVED: THAT the provisional date for the next meeting of the Committee is:

- Wednesday 22 March 2023 at 2pm in The Salford Suite, Civic Centre, Chorley Road, Swinton, M27 5DA.

Committee Members attendance 2022/23

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

Councillor/ Member Name	June 22.06. 22	July 27.07. 22	Oct 26.10. 22	Jan 25.01. 23	March 22.03. 23
Councillor L Turner (chair)	✓	✓	✓	✓	
Councillor D Bailey	A	A			
Councillor R Jones	✓	A	A	A	
Councillor T Pepper	✓	✓	✓	✓	
Councillor M Pevitt	A	A	✓		
Councillor G Reynolds	✓	✓	✓	✓	
Councillor A Shama	✓	✓	✓	A	
Councillor N Tetteh	✓	✓	✓	✓	
Councillor B Hinds (invitee)	A	✓	✓		
Edoardo Bucci (co-opted member)	✓	✓	A	✓	