

AUDIT COMMITTEE
15/01/2024 at 6.00 pm

Present: Grenville Page (Chair) and Councillors Akhtar, Al-Hamdani, S. Bashforth, Birch, Davis, Salamat and Sykes

Also in Attendance:

John Miller (Head of Audit and Counter Fraud)

Sarah Johnston (Director of Finance)

Colin Evans (HR and Payroll)

Claire Hooley (Adult Social Care)

Hayley Eccles (Adult Social Care)

David Watson (Mazars LLP- External Auditors)

Yogita Das-Patel (Mazars LLP- External Auditors)

James Postle (Finance Manager)

Victoria Gallacher (Head of Insurance and Information Governance)

Durga Paul (Constitutional Services)

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Arnott.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

Councillor Akhtar declared a non-registerable interest in agenda item 6 (Internal Control Matters; Adult Social).

Councillor S. Bashforth declared a non-registerable interest in agenda item 13 (A Review of Council Owned Companies and Partnerships) as he is the Chair of the MioCare Board.

4 **PUBLIC QUESTION TIME**

There were no public questions for the meeting to consider.

5 **MINUTES OF PREVIOUS MEETING**

Minutes of the meeting held 31st October 2023 approved as a correct record.

6 **INTERNAL CONTROL MATTERS; ADULT SOCIAL CARE**

The Committee heard a report from Officers from Adult Social Care. The Community Health and Adults' Social Care Team directly manages two of the Council's financial systems. One of these systems is the Personal Budgets / Direct Payments system. The Direct Payments and Community Home Care audit and has received an audit opinion of 'Inadequate' in each of the eight years from 2014/15 to 2021/22. In light of this the overall opinion for 2022/23 was subsequently downgraded to Weak. The report sets out the agreed actions for the Adult Social Care Service to take forward to address the recommendations made in the latest 2022/23 FFS Audit Report.

The latest 2022/23 FFS review of Direct Payments and Home Care found that systems and controls remained inadequate. Six of the ten recommendation made in 2022/23 have been made in previous audit reports and remained outstanding. Four of these recommendations are high priority recommendations, and two are medium priority.

Significant work has been undertaken by Adult Social Care to respond to the historic system challenges since the audit. There has been joint working between Adult Social Care & Audit to offer support and constructive guidance and create an action plan. The programme of work is undertaken programmed to run continuously throughout the year, to highlight challenges in the system and a system response to remedy this. To fully address the auditing recommendations, in October 2022 the service undertook an exercise to restructure and repurpose its portfolios. The restructure of the service aligned the brokerage service within the commissioning portfolio, re-aligned the Client Finance Service and created a portfolio of Reform and Improvement.

Since July 2022, the service has devised a complete system transformation and improvement plan, aligned to Adult Social Care improvement which is expected to support the service to become more efficient and effective in managing demand and meeting the needs of vulnerable residents, who have been assessed as having care and support needs. In addition, the service has devised a new target operating model. The directorate continues to review its brokerage service, which is responsible for overseeing cashflow and that timely payments are made to providers. This has seen the realignment of CHC recharges to be managed within Brokerage to enable a more streamlined approach, reducing handovers and minimising delays. The service is also undertaking a redesign of the Mosaic system, ensuring workflows between frontline operational staff and the Brokerage and Client Finance teams are aligned.

The Committee reviewed the action plan provided which indicated where work had been done and recommendations implemented, and progress made. The Chair questioned whether progress had been made on issues around workforce as this was highlighted as a key issue in previous Audit Committee Meetings. Officers advised that they continue to struggle with recruiting qualified staff but noted that staff surveys indicated improved wellbeing across the workforce- although they continue to be fatigued. Members asked if officers were able to provide some figures and detail on exactly what has been resolved, officers are confident that the work they have done to implement recommendations is strong, and they will be able to evidence the improvements with the results of the next audit.

Resolved:

That the Audit Committee acknowledge the progress and continued action.

INTERNAL CONTROL MATTERS; PAYROLL

The Committee heard from HR and Payroll Officers. The Council's Payroll Service was, until April 2022, provided as part of the package of services delivered by the Unity Partnership. In April 2022 the Service transferred back in house and is now delivered directly by the Council itself. Since 2015/16 the Audit Opinion of the service has consistently been Weak or Inadequate. During 2021/22 the Service implemented the iTrent Payroll system. This addressed a number of system weaknesses and the audit opinion in that year was upgraded to 'Adequate'. Following this improved opinion, the Service experienced significant turnover in staff in key roles leading to a weakening in control and a subsequent downgrading of the audit opinion in 2022/23 back to 'Inadequate'.

The final audit report for 2021/22 contained five recommendations for improvement, two High, two Medium and one Low priority, and recognised the progress made during that year by the Service in addressing longstanding control issues. The opinion for 2021/22 was, therefore, raised to adequate. The final report for 2022/23 contains 14 recommendations, ten High, three Medium and one Low priority, and re-iterates all five of the recommendations made in 2021/22 which were found to be partially complete. The Service suffered from the loss of a number of staff in key roles following the 2021/22 review and this is the primary reason for the service falling behind in the progress they had previously made. The Service has since been successful in recruiting to some posts and continues to try to recruit appropriately skilled and experienced staff to fill remaining vacant roles. The recruitment and retention of suitable staff is crucial to the service once again being able to make progress in the areas identified for improvement and address the overriding control weakness within the Service in relation to staffing. In light of the above, the 2022/23 Audit Assessment was that the systems and controls in connection with the payroll system were Inadequate.

The Committee heard an overview of the Payroll FFS Audit Review Action Plan which highlighted some key areas where progress had been made already such as Payroll reconciliation and CHAPS payments. Analysis has indicated that the number of CHAPS payments could be significantly reduced if process issues were addressed. An example given was where managers fail to 'end' a period of absence when an employee returns to work and therefore they are not picked up when running payroll and alternative payment is required. This could be address with communications being sent to management.

Members queried the progress being made on workforce issues. Officers advised that they had successfully recruited to the Payroll Manager role and that they are in the process of recruiting to vacant roles. They stressed the difficulties they face recruiting to the service area as very specific experience is required to work within payroll in a Local Authority.

Resolved:

That the Audit Committee acknowledge the progress and continued action.

8

EXTERNAL AUDIT PROGRESS REPORT

External Auditors provided the committee with an update on the progress of the audit. Their remaining responsibility in respect of the 2021/22 financial year relates to the Councils whole of government accounts (WGA) return. As requested in October 2023 they submitted their auditor statement for their WGA group audit purposes. They are still awaiting the NAO to clarify whether they require any work to be carried out on the Council's WGA return as part of their sample testing.

The below table indicates the progress of Mazars LLP.

Audit Area	Status	Description of the outstanding matters
Investment Properties		Our work is complete, on the review of the valuation of the Council's share of land at Manchester Airport.
Property, Plant and Equipment		Our work is complete on the review of property, plant and equipment valuations.
Group financial statements		We have received the Council's financial statements and working papers for its consolidation of its group accounts. We are completing our audit work relating to those group financial statements.
Pensions		We are awaiting updated accounts to review pension adjustments. In addition we still require the pensionable pay reports, and contributions reports.
Related Parties		We are waiting on a number of Members declarations
Financial statements, Annual Governance Statement and letter of representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

The Chair asked when we could expect accounts from 2022/23 and 2023/24 to be signed off and whether any technical issues had emerged which could cause a delay. Mazars confirmed that there are no emerging issues, and the committee could expect 2022/23 accounts to be signed off in March 2024 and the 2023/24 accounts to be complete by September 2024.

Resolved:

That the update is accepted and acknowledged by the Audit Committee.

9

TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Finance Manager reported on the Treasury Management Strategy for 2024/25, the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators. The Council is

required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code. It is required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments. The Strategy for 2024/25 covers.

- Economic Update
- Prospects for Interest Rates Report to Audit Committee
- Treasury Management Strategy Statement 2024/25 Including the Annual Investment Strategy, Borrowing Strategy and Prudential Indicators
 - The Current Balance Sheet and Treasury Position
 - Liability Benchmark
 - The Borrowing Strategy
 - Debt Rescheduling
 - The Borrowing Strategy
 - The Investment Strategy
 - Approved Counterparties, risk management and Investment Limits
- Treasury Indicators which limit the treasury risk and activities of the Council

The report therefore outlines the implications and key factors in relation to each of the above Capital and Treasury Management issues and makes recommendations with regard to the Treasury Management Strategy for 2024/25. The report includes the most recently available economic background commentary which reflects the position at December 2023. The proposed Treasury Management Strategy is presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. It will also be presented to the Governance, Strategy and Resources Scrutiny Board on 25 January 2024. Any comments from the Audit Committee or the Scrutiny Board will be incorporated into the report presented to Cabinet on 12 February 2024 and Council on 28 February 2024.

Upon review of the Liability Benchmark and borrowing position of the Council, members queried the implications of an increase in the Council's current level of debt. The report indicates that it is currently at £516,876m and that the operational boundary is set at £519m. Officers explained that although the operational boundary is set in advance, this to satisfy a legal requirement and can be adjusted where necessary to do so provided the proper procedures are followed.

Resolved:

That the report is accepted, and the Committee endorse the report going to Cabinet.

The Head of Audit and Counter Fraud presented an overview of the Audit and Counter Fraud progress report to the Committee.

This report summarised the work of the Audit and Counter Fraud Team between 1 April 2023 and 31 December 2023.

Priorities for the 2023/24 Audit and Counter Fraud Plan and progress summarised below

- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements.
- Audits which are classed as "high priority" in the Annual Audit Needs Assessment.
- Counter Fraud work to identify fraud risks within the corporate systems.
- Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
- Delivery of the financial audits of Direct Payments in line with service plans and targets.
- Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Work commenced on Fundamental Financial Systems (FFS) reports reviews in October 2022 and draft final reports were issued during Quarter 1 of 2023/24. Members have received reports on the significant findings of our work in this area in connection with Payroll, Adult Social Care, Children's Social Care and Debt as part of the Annual Report and Opinion of the Head of Audit and Counter Fraud for the year 2022/23. During Quarter 3 the following were the subject of further discussion and finalisation with management, and final reports were issued in respect of Payroll, Accounts Receivable and Debt Recovery.

The remaining two FFS reports in the process of finalisation are the Direct Payment review, and the Residential Care review. Members received a presentation from the Director of Adult Social Care on the Service's response to the Direct Payment Audit review at the Audit Committee meeting in July 2023. Internal Audit continues to work with the Service in constructing and implementing it's response to the reports and the Direct Payment report is also the subject of a further update on progress to the Audit Committee elsewhere on this agenda. Given the need to commence our work in this area in respect of 2023/24 prior to finalisation of the 2022/23 reports, the 2023/24 reports will supersede and pick up on progress against the recommendations made in 2023/23 in place of final reports for 2022/23

The Committee heard a summary of the outcomes of the follow up work carried out by Audit. Out of a total of 23 recommendations, 16 have been completed and 5 are ongoing. No response or update was provided for the final 2 recommendations.

Committee members questioned who the non-responders were which officers were unable to provide more detail on. Officers to

follow up with committee members with some more information on non-responders and in future meetings where there is no/nil response, provide a narrative with further explanation on why there is no data available.

Resolved:

1. That the Committee acknowledged the report and the work going done
2. That once further follow up is done with the 2 non responders, additional information is to be provided to the Committee. And that Officers will ensure that in future meetings, where there is no/nil response, some narrative is added to provide further explanation to the Committee.

11 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR THE REMAINDER OF 2023/24**

The Audit Committee considered its Work Programme for 2023/24.

Resolved: That the Audit Committee endorsed the Work Programme for the remainder of 2023/24.

12 **EXCLUSION OF THE PRESS AND PUBLIC**

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

13 **REVIEW OF COUNCIL OWNED COMPANIES AND PARTNERSHIPS**

The Head of Insurance and Information Governance provided a report on the Review of Council Owned Companies and Partnerships.

A few Local Authorities have come under increased scrutiny due to poor financial administration with Inspectors/Commissioners appointed to oversee their operations. In part, this poor financial administration has involved a common theme which is the poor oversight of the risks from third party entities in which the Authorities have a financial interest. This has resulted in unbudgeted losses which have impacted on the overall financial resilience of those Authorities.

The report has identified the partnerships in which the Council has an interest and then used a traffic light system to rank the risk to the Council (green, amber and red) as at 30th November 2023. These partnerships and the current assessment of risk have been split into 7 categories:

1. 100% Council Owned Companies.
2. Companies in which the Council has an Equity Stake.
3. Special Purpose Vehicles.
4. Council Initiatives

5. The Green Agenda
6. Local Government Association
7. Residual Commitments Report to Audit Committee Review of Council Owned Companies and Partnerships

The Committee reviewed the information on the Risk Dashboard provided to attendees.

Resolved:

That the update is accepted and acknowledged by the Audit Committee.

14

UPDATE ON THE CORPORATE RISK REGISTER

The Committee heard an overview on the Corporate Risk Management Strategy and Framework. This was refreshed in July 2023 and presented to the Audit Committee at its meeting on 20 July 2023 for consideration and approval. A key part of this Strategy is the production of the Corporate Risk Register. An integral part of the Risk Management process is the integration of the production of Service Risk Registers in the Business Planning Process which are updated quarterly. A quality assurance process agreed by both the Performance Improvement and Corporate Risk teams is in place to ensure consistency in risk scoring and quality of information provided against risks. Service Risk Registers are reviewed, and any key risks are incorporated into the Corporate Risk Register.

The Committee reviewed the Corporate Risk Register for the period to 20 July 2023 to 31 December 2023 and noted that new risks had been added to the register. Members queried the additions as previous discussions with the Chief Exec had suggested these areas would not pose a risk to the Council. Officers explained that although previously not considered to be a risk, upon review they had recently been added to the register on 31st December 2023.

Resolved:

That the update is accepted and acknowledged by the Audit Committee.

The meeting started at 6.00pm and ended at 7.16pm