

## **Audit Committee**

### **Minutes of the meeting held on 22 September 2014**

#### **Present**

Councillor Hackett (In the Chair)  
Councillors Ahmed Ali, Barrett, and Watson  
Independent co-opted member Mr S Downs (up to AC/14/44)

Councillor John Flanagan, Executive Member for Finance and Human Resources

#### **Apologies**

Councillors Lanchbury, Ollerhead and Siddiqi

#### **AC/14/39 Urgent Business**

The Chair had agreed to the consideration of an additional note on the annual accounts, including further changes to the accounts, to be considered as part of item AC/14/41. Copies of the note and the changes to the accounts were circulated at the meeting.

#### **AC/14/40 Minutes**

#### **Decision**

Subject to recording in the minutes that Mr Downs was present at the meeting, to approve as a correct record the minutes of the meeting held on 17 July 2014.

#### **AC/14/41 Statement of Accounts 2013/14**

The Committee had considered the unaudited accounts at its last meeting in July (Minute AC/14/31). The City Treasurer was now able to present the audited accounts, the proposed letter of representation from the council to the auditors, and a report explaining the adjustments made to the accounts since the draft was considered in July. The note introduced as urgent business was also considered.

The significant adjustments to the accounts were explained at the meeting. The report also explained that there was an unadjusted misstatement relating to the restatement of 2012/13 figures to reflect the removal of non material subsidies and associates from the Group Accounts. Whilst this should have been dealt with as an in-year adjustment rather than prior year, we agreed that the accounts should not be changed.

Appended to the report was the proposed letter of representation on the Group Accounts for the Committee to acknowledge and approve. The Committee was asked to also approve for signing a letter of letter of representation for the single entity accounts for the Council, and that was agreed.

The Committee also wished to extend its thanks to all who had been involved in preparing the final audited accounts, and commended all for the achievement of an unqualified set of accounts for 2013/14.

### **Decision**

1. To note the amendments made to the annual accounts for 2013/14.
2. To agree that the accounts are not amended for the unadjusted misstatement identified as set out in paragraph 2.4 of the report
3. To approve the annual accounts including the accounting policies contained within them.
4. To approve and acknowledge the letter of representation on the Group Accounts attached to the report which was to be signed by the City Treasurer and the Chair of the Committee.
5. To approve the signing of the corresponding letter of representation for the single entity accounts for the Council which was to be signed by the City Treasurer and the Chair of the Committee.
6. To ask the City Treasurer to pass on the thanks of the Committee to the team of people who had worked to finalise the complex accounts of the Council and the Group.

### **AC/14/42 Audit Findings for Manchester City Council and Manchester City Council Group**

The report from the Council's external auditor Grant Thornton was submitted to the Committee to highlight key issues arising from the audit of the Council's financial statements for the year ending 31 March 2014.

The audit had concluded that the accounts gave a true and fair view of the financial position of Manchester City Council as at 31 March 2014 and of its expenditure and income for the year then ended; and also gave a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended.

The auditors explained that they were satisfied that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Decision**

To welcome the report of Grant Thornton.

### **AC/14/43 Review of Council Arrangements for Securing Financial Resilience**

A report was submitted which summarised the findings of a review undertaken by

Grant Thornton to assess whether the Council has proper arrangements in place for securing financial resilience.

The overall conclusion was that the Council is performing well despite operating in an increasingly challenging financial environment.

The Committee was pleased to see that in all but one of the key indicators the Council had met or exceeded the standards for that indicator, with evidence of the key characteristic of good practice in place. The one exception related to the number of working days lost to sickness absence, where the auditors felt that there remained a potential risk or weakness, given that the council's performance was below the local government average.

### **Decision**

To note the report and welcome the findings.

### **AC/14/44 Revision to Treasury Management Strategy 2014/15**

Since the Strategy had been approved by the Council in March 2014 a new opportunity had arisen for the Council to borrow. This new source was not covered by the sources listed in the current Borrowing Strategy. The source was the Homes and Communities Agency (HCA) which had made funding available to the Council to invest in projects which support the Greater Manchester City Deal objectives.

The Committee was asked to approve of the inclusion of this HCA funding within the Borrowing Strategy for 2014-15 and to recommend that the Council adopt the revised strategy.

It was explained that as there was no financial risk to the City Council from this funding, it was therefore appropriate that no Minimum Revenue Provision (MRP) was charged against this capital expenditure. This was similar to the treatment of loans to the Greater Manchester Loans Fund which were covered by the existing MRP Policy, as contained within the Strategy approved by Council in March.

### **Decision**

To recommend to Council the changes to the Treasury Management Strategy for 2014-15, being:

- to approve the inclusion of the proposed HCA funding within the Borrowing Strategy for 2014-15; and
- to allow no MRP to be charged in relation to capital expenditure funded by the proposed HCA loan, or in relation to any capital expenditure where the Council has received financial guarantees protecting against loss.

### **AC/14/45 External Audit Recommendations Monitoring Report**

The City Treasurer and the Head of Audit and Risk Management submitted a joint report on the actions that have been taken in response to recommendations from

external audit work. The purpose of the report was to provide assurance to Grant Thornton and the Committee that recommendations were being implemented.

There were ten recommendations that had been followed up since the last progress report presented in March 2014 (Minute AC/14/16). Seven of those had now been implemented, and the one that related to ICT was the subject of a report to this meetings of the Committee (Minute/AC/46).

The remaining two recommendations related to the objection to the 2011/12 accounts. Both were dependent on the finalisation of the current costing and licensing project. That had recently been completed and so they were likely to be implemented in late 2014/15.

### **Decision**

To note the report.

### **AC/14/46 ICT Disaster Recovery/Resilience Activity**

In March the Committee had requested an update on ongoing activity to increase the disaster recovery capabilities of the Council's ICT arrangements to address the Committee's concerns about implementation of the ICT Disaster Recovery Plan (Minute/AC/16). The Head of ICT submitted a report to confirm the current position and timescales for further improvements to ICT resilience and disaster recovery.

The Committee welcomed the progress that was described in the report, but there remained some concerns that some of the important components of the resilience strategy were still to be put in place. The Committee sought assurance that for the implementation of those components, the target dates shown in the report would be met.

In response the Head of Audit and Risk Management gave an undertaking that the target dates would all be monitored and their implementation would be reported to the Committee in the next Annual Report of the Internal Audit Service.

### **Decision**

To welcome the report from the Head of ICT and the undertaking made by the Head of Audit and Risk Management.

### **AC/14/47 Internal Audit Quarter-Two Assurance Report**

A report by the City Treasurer and the Head of Audit and Risk Management provided the Committee with a summary on the internal audit work undertaken and audit opinions issued in the five months April 2014 to August 2014. The report included progress on delivery of the annual audit plan and the implementation of recommendations. It also included a summary of the agreed assurance opinions provided on completed audits and assessed the level of exposure to risk arising where recommendations were outstanding.

In light of the outcome of the recent Ofsted inspection of the care and safeguarding of children in the city, the Committee discussed the internal audit investigations of children's safeguarding and casework, both in the previous five months and the monitoring of recommendations from earlier work. Members were concerned that, despite previous audit reports and investigations, such as the report of the Strategic Director of Children's Services in January 2013 (Minute AC/13/02), the Committee had not been sufficiently aware of the extent of the issues in the services that were inspected by Ofsted.

Members asked for information on comparisons of casework workloads to be compiled and circulated. This was to allow for a comparison of the casework figures reported to the Committee in past reports, and those in the Ofsted report. The Committee also asked for a report to be prepared and presented that assessed the extent that past audit findings and the Committee's decisions had contributed to improvements and changes in those services, and whether performance issues had been identified by the Committee and reported in an appropriate way to the Council and to the management of the services.

### **Decisions**

1. To note the report.
2. To request a report to a future meeting on children's safeguarding casework levels reported to the Committee in the past, and on the history of the Committee's work on the services found to be inadequate by Ofsted.

### **AC/14/48 Date of the next meeting of the Committee**

The Chair explained that the December 2014 meeting of the Committee would be on Wednesday 3<sup>rd</sup>, and not on Thursday 4<sup>th</sup>.

### **Decision**

To agree that the next meeting of the Committee be on Wednesday 3 December.

### **AC/14/49 Exclusion of the Public**

A recommendation was made that the public be excluded during consideration of the next item of business.

### **Decision**

To exclude the public during consideration of the following item which involved consideration of exempt information relating information relating to the action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

### **AC/14/50 Risk based verification of housing benefit claims**

A report by the City treasurer explained that proposals were to be put to the Executive relating to changes to the verification of Housing Benefit (HB) and Council Tax Support (CTS) claims, by introducing a risk-based verification (RBV) scheme. Currently when any resident applies for HB or CTS they must provide a substantial amount of original evidence. The same level of verification is applied to all, irrespective of their circumstances. This approach was known to be costly and inefficient. The proposals were for a risk-based approach with different levels of checks to different claims according to the risk associated with them. This targeted approach was more efficient and had been shown to be much more effective at identifying fraud and error.

A copy of the proposed risk-based policy was appended to the report, and we agreed that it should be adopted by the Executive.

### **Decision**

To commend the policy to the Executive.