

Audit Committee

Minutes of the meeting held on 3 December 2014

Present

Councillor Hackett (In the Chair)
Councillors Ahmed Ali, Barrett, Siddiqi and Watson
Independent co-opted member Mr S Downs

Councillor John Flanagan, Executive Member for Finance and Human Resources
Councillor Sheila Newman, Executive Member for Children's Services

Apologies

Councillors Lanchbury and Ollerhead.

AC/14/51 Minutes

The minutes of the meeting on 22 September 2014 were submitted for consideration. The Committee agreed that they were a correct record subject to the amendment that Mr Downs was present until item AC/14/47.

Decision

To approve as a correct record the minutes of the meeting held on 22 September 2014 subject to the above amendment.

AC/14/52 The Annual Audit Letter for Manchester City Council

Sarah Howard, Engagement Partner from Grant Thornton, advised the Committee that the lead contact between Grant Thornton and the Council would be changing, to ensure that the relationship remained independent and professional. She explained that changing the lead contact on a regular basis was an industry wide model of good practice. The Committee welcomed Mr Mark Heap who would be taking on this role from the forthcoming audit year.

The Committee considered a report of the Council's external auditors, Grant Thornton, concerning the Annual Audit Letter, which summarised the key findings arising from the work carried out by Grant Thornton for the year ended 31 March 2014.

The audit conclusions which Grant Thornton provided in relation to 2013/14 were:

- An unqualified opinion on the Council's single entity financial statements in relation to the Council's financial position as at 31 March 2014 and its income and expenditure for the year.
- An unqualified opinion on the Council's group financial statements.
- A qualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

- An unqualified opinion on the Council's Whole of Government Accounts submission.
- A qualified Value for Money (VfM) conclusion for the 2013/14 financial year as a result of the Ofsted inspection, which concluded that the overall arrangements for ensuring the effectiveness of Childrens Services at the Council and the Local Safeguarding Board in the Manchester City Council area were judged to be inadequate.
- Grant Thornton have, to date, certified four grant claims and returns for the 2012/13 financial year, and had as at the date of the report one return for the 2013/14 financial year, all of which were certified without amendment or qualification. A subsequent return for Housing Benefit had been the subject of a very minor qualification.
- Grant Thornton also highlighted that the Licensing Committee should review its taxi licensing fee costing model on an annual basis.

Following a query from a member, Grant Thornton confirmed that up until the publication of the Ofsted report, the VfM conclusion would have been unqualified.

The Committee requested clarification as to whether future population growth is taken into account for the annual audit, and Grant Thornton confirmed that it was.

The Committee discussed whether the external auditors assessed flood risks and whether contingency funds were available in the event of widespread flooding which could potentially damage the city's economy. Grant Thornton informed members that this was not within their remit. Emergency planning was managed by the Growth and Neighbourhoods Directorate. The Committee requested a note for information on emergency planning and the contingency plans in place for widespread flooding in the city.

The Committee discussed ongoing work taking place to continue to reduce the levels of sickness absence. The Executive Member advised members that while sickness absence levels were relatively static, occurrences of work related stress were rising. Managers are being mentored in how best to manage sickness absence and to improve overall levels of attendance.

It was noted that although Manchester City Council records higher levels of sickness absence than other comparable local authorities, this may be affected by the fact that Manchester City Council record both pregnancy and disability related sickness absence, when other local authorities do not.

Decision

1. To note the report.
2. To request a briefing note for information from the Growth and Neighbourhoods Directorate regarding contingency plans in the event of widespread flooding in the city.

AC/14/53 Audit Committee Update

The Committee considered a report of the Council's external auditors, Grant Thornton. John Farrar, Audit Manager from Grant Thornton, explained the scope and content of the report. The report included a summary of national issues and developments that may be relevant to Manchester City Council, and included a number of challenge questions in respect of those emerging issues which the Committee were invited to consider.

The report also noted progress that has been made to date in other areas, and included the following information.

- The audit for the financial year ending 31 March 2014 is now complete.
- Certification of Claims for 2013/14 should be completed by December 2014.
- An Audit Plan for the 2014/15 financial year will be completed by 26 March 2015.
- Interim accounts audit will take place between January and March 2015, with a final accounts audit planned between July and September 2015.
- A risk assessment will be undertaken between January and July 2015 to allow Grant Thornton to inform officers of the 2014/15 VfM work and the proposed ongoing programme.
- The 2014/15 Annual Audit Letter will be produced by October 2015.

The report also gave information about non-audit work being carried out in other areas of operation, and included the following:

- Work to provide an accountants report relating to 2013/14 expenditure funded by the HCA Decent Homes Grant.
- Work to provide an accountants report relating to the 2013/14 Teachers' Pension return.
- Discussions to set the accounting model for the Brunswick PFI scheme.

Grant Thornton also presented the Committee with copies of a Grant Thornton National report, as well as copies of the Audit Commission National report for information.

The Committee asked what further safeguards could be made to increase the prevention of fraudulent activity. After discussion, it was agreed that due to the unpredictable nature both of fraud, and the emergence of potential whistle blowers, this could not be planned for but would be addressed on a case by case basis.

The Committee noted that the Council had a robust process to support whistle blowers, and that there was compliance with legislative tools that require the disclosure of fraud when it was detected. There are several mechanisms for staff to report potential fraudulent activity, and these will be further strengthened following the award of grant money from central government.

The Committee referred to the challenge question listed in the Audit Committee Update about the management of Council property assets. They discussed whether the Council's property portfolio was being managed in the correct way. They agreed that this issue should be referred to the Finance Scrutiny Committee for consideration. The City Treasurer advised that the Finance Scrutiny Committee

would be considering a report on Corporate Property in the New Year, and this could be picked up within this report. The Committee accepted that all scrutiny committees set their own work programmes, but they agreed to strongly recommend that this issue was scrutinised.

Decision

1. To note the report
2. To strongly recommend that the Finance Scrutiny Committee review the management arrangements to ensure that Manchester City Council's property portfolio is being managed correctly.

AC/14/54 Treasury Management Interim Report 2014/15

The Committee considered the report of the City Treasurer which outlined the Treasury Management activities of the Council for the first 6 months of the financial year 2014/15. The report explained how the Council managed its investments, cash flow, banking, money markets and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The City Treasurer explained that the current borrowing position reflects the strong balance sheet of the council which enables net interest costs to be minimised. It reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows etc). As the cash balances have been relatively high, and it remained the policy of the Council to keep cash as low as possible and minimise temporary investments, limited borrowing activity has been undertaken during the year.

It was expected that from late December 2014 to mid March 2015 the Council would need to undertake some periods of short term borrowing due to temporary shortfalls in cash balances resulting from timing of payments and receipts. However, it was forecast that the position at the end of the year would be a surplus of approximately £25m if the level of payments and receipts continued at the current level. This forecast position is reviewed at the end of each month.

The Committee discussed the Council's various borrowing and lending arrangements with all of the relevant organisations, and asked the City Treasurer to clarify whether the arrangements were the best value possible, The City Treasurer confirmed that the rates of interest on both borrowing and lending was the most advantageous possible. He also clarified that when borrowing was undertaken, he ensured that the Council got the most beneficial deal and that each event was assessed on a case by case basis to determine the best value for money..

The Council's new banking contract has been awarded to Barclays Bank Plc. It was planned for the Council to migrate its business across by 1 April 2015. The procurement and tender process was followed precisely, and Barclays was assessed as the preferred supplier of banking services. The Committee expressed concern that moving all of the Council's banking arrangements was a huge undertaking, but were

assured that Barclays Bank has extensive experience in migrating and managing bank changes with other local authorities, so there are no issues anticipated in this regard.

The Committee asked for a report on the progress of the bank account move, and the role of internal audit in this process to the next meeting of the Committee in January and it was agreed that this would be provided.

Decision

1. To note the report.
2. To request an update on the bank account move, and the role of internal audit in this process, to the next meeting of the Committee in January.

AC/14/55 Childrens Safeguarding Casework Update

The Committee considered the report of the Head of Internal Audit and Risk Management which provided a summary of information and reports presented to Audit Committee and other Council committees in respect of Children's Safeguarding and social care activity over the last three years including assurance opinions, decision making and action planning.

The Committee noted that concerns had been raised consistently since December 2011. There was clear evidence in Audit Committee minutes of members discussing these issues on a number of occasions, and in several of these instances making the decision to request direct senior management attendance at the Committee to account for and provide assurance over actions being taken to address the issues raised. Assurance was also provided by Internal Audit that an action plan was in place and had started to be implemented to address the issues and that this would require further monitoring and review.

The Executive member responsible for Childrens Services attended the Committee and agreed that the work done to tackle the concerns raised, had not been successful in alleviating these concerns. . However, she also pointed out that extra resources, both financial and in terms of staffing levels had now been implemented and that improvements were already being seen. Other measures that have been implemented include:

- A new Multi-Agency Safeguarding Hub located in the Town Hall Extension.
- Reintroduction of the early help scheme
- Recruitment of new social workers
- Plans to reduce the number of Looked After Children.
- The appointment of a new chair of the Manchester Safeguarding Board
- Plans to reduce the caseload to 20-25 cases for social workers and 15-20 cases for newly qualified social workers.

The Committee agreed that mistakes have been identified on several levels, both in regard to sharing information and assurance across services and committees, compliance, governance and the overall strategy that had been followed, but it was

recognised that improvements had been made. It was also recognised that the Independent Safeguarding Improvement Board was making progress.

The Committee agreed that a robust plan and timetable for Internal Audit work would be necessary to ensure progress was being made. They also commented that due to the severity of the situation, Internal Audit must get involved to the extent that they can assure the Committee that matters are improving.

The Executive Member for Childrens Services was asked if there were any issues with the training and retention of social work staff. She advised that all staff were fully trained in all the relevant areas, and that the senior officers were focused on improving the quality social work undertaken by the Council. She also confirmed that there have been management changes across the service.

The Independent Safeguarding Improvement Board meet on a regular basis, and the Independent Chair provides reports to the Department for Education on the progress that is being made. The Committee requested copies of these reports so that they could also assure themselves regarding ongoing progress and service improvements. The Committee agreed to have regular agenda items over the next twelve months to review these update reports.

The Committee discussed the fact that senior management from Childrens Services had been requested to appear before the Committee on several occasions, but had failed to do so, or sent less senior members of the management team instead. It was agreed that this was unacceptable, and that if Internal Audit gave a limited assurance opinion, then the most senior manager in the service area would be required to appear before the Committee and explain why.

The Committee queried whether there were more referrals to Social Care Services per head of population in Manchester than in comparable local authorities. These specific benchmarks are not recorded although it was recognised by officers that reducing social worker caseloads through a more effective 'front door' was essential..

The Committee noted that the Executive Member for Finance and Human Resources would assess how the Audit Committee could work more collaboratively with scrutiny committees and licensing to improve information and intelligence sharing to support service provision for all residents of the city.

The Committee asked if a similar inspection was carried out by the Care Quality Commission (CQC), into safeguarding provision for adult service users, would they uncover similar problems. The Committee agreed to recommend that the Health Scrutiny Committee and Internal Audit should consider this issue as an urgent matter, and that any recommendations for improvements in safeguarding provision for adults could be implemented in a timely manner.

Decision

1. To note the report.
2. To agree to add an item to future committee agendas for a summary report of the

Head of Internal Audit and Risk Management supported by copies of the reports produced by the Independent Safeguarding Improvement Board.

3. To request that the Executive Member for Finance and Human Resources look at ways that the Committee could work with scrutiny committees in a more co-ordinated way.
4. To recommend that the Health Scrutiny Committee seek appropriate assurance over safeguarding service provision for adult service users in advance of a potential CQC inspection.
5. To require senior managers appear before the Committee if Internal Audit gave limited assurance over any aspect of the work of any Directorate.
6. To consider assurance arrangements for children and adult safeguarding as part of 2015/16 Internal Audit planning considerations.