

Audit Committee

Minutes of the meeting held on 24 September 2015

Present

Councillor Lanchbury (In the Chair)
Councillors Russell and Watson
Independent co-opted member Mr S Downs

Also Present

Simon Livesey – Grant Thornton
John Farrar – Grant Thornton

Councillor John Flanagan, Executive Member for Finance and Human Resources

Apologies

Ahmed Ali, Hackett, Hassan and Ollerhead

AC/15/34 Chair

Councillor Lanchbury was nominated to chair this meeting in the absence of the Chair. This was seconded and approved.

Decision

To appoint Councillor Lanchbury to chair the meeting.

AC/15/35 Minutes

Decision

To agree the minutes of the meeting on 28 July 2015 as a correct record.

AC/15/36 Annual Accounts 2014/15 and Letter of Representation and The Audit Findings for Manchester City Council

At the start of this item, the Committee agreed to consider the annual accounts and the report from Grant Thornton on their audit of the accounts, together.

The report of the City Treasurer summarised the amendments that have been made to the accounts during their audit by the Council's external auditors, Grant Thornton. The draft annual accounts were reported to the Committee at their last meeting on 28 July 2015. The report from Grant Thornton highlighted the key matters arising from their audit of the Council's and the Council Group's financial statements for the year ended 31 March 2015.

The City Treasurer informed the Committee that there had been one substantial adjustment to the accounts that the Committee reviewed in July. This related to the

valuation of private sector housing land that was acquired for regeneration under compulsory purchase orders between 2004 and 2008 when market values were at a peak. These pieces of land were classed as surplus properties within Property, Plant and Equipment on the balance sheet. The value of this land has reduced by approximately £78m but this had no impact on the Council's current usable reserves.

A member questioned the reasons for the substantial reduction in the value of the land from £94m to £19m. The City Treasurer explained that this cost was largely down to housing market renewal schemes and the associated costs of buying houses and business premises; and the costs of compensation to those that had to relocate. Grant Thornton explained that this adjustment in value was identified during their audit when they reviewed the value of land around the Toxteth Street area. It had been identified this year as this item was tested during the audit of the Council's property assets.. Members felt that this warranted further explanation of why this housing market renewal schemes cost so much, the reasons for the deficit, how this deficit was funded and why the scheme was approved. They agreed to recommend that Finance Scrutiny Committee reviewed this in more detail.

The Committee sought clarification on the rise in the number of schools based staff earning over £50,000 per annum, the reasons for variations in levels of pay in different schools and whether there was anything that the Council could do to influence the level pay in schools. The Committee noted that staff pay was the responsibility of school governors and funding for staff came from school budgets. Pay scales were prescribed nationally but there was some level of discretion from school governors over pay scales which explained the variations in pay across different schools. The Committee agreed that this issue should be taken up with the school governors association so that they provide suitable training for school appointing/ pay committees.

The Committee agreed to consider the Grant Thornton report on the audit findings from the Council before drawing any final conclusions on the accounts. The representatives from Grant Thornton summarised the main findings from their audit of the accounts. The audit was substantially complete and a final unqualified opinion would be given before the deadline. Overall there were no serious concerns highlighted but some minor adjustments were required to improve disclosures. The report also provided a summary of the progress made in Children's Services since the Ofsted inspection. The Committee agreed this should be extracted and circulated to all members of the Council.

Decision

1. To note the amendments made to the annual accounts for 2014/15.
2. To approve the annual accounts including the accounting policies contained within them.
3. To approve and acknowledge the letter of representation in Appendix 1 of the report which will be signed by the City Treasurer and the Chair of the Meeting.

4. To note the revised timetable for the completion and approval of future years accounts as shown in Appendix 2.
5. To ask officers to extract the summary of Children's Services progress from the Grant Thornton report and circulate it to all members.
6. To ask the Finance Scrutiny Committee to review the reasons why there was a substantial adjustment of the value of the Council's surplus land values identified during the audit of the Annual Accounts.

AC/15/38 Internal Audit Update Report 2015/16

The Committee considered a report of the Head of Internal Audit and Risk Management, which provided a summary of the internal audit work undertaken, the audit opinions issued and the progress on implementation of recommendations in the five months to August 2015. It included a summary of the assurance opinions issued on completed audits and level of exposure to risk arising where recommendations are outstanding. The opinions and statistics are provided to directorate senior managers for discussion and agreed actions and are used to provide an overall annual assurance opinion.

The Head of Internal Audit and Risk Management outlined some of the key areas where limited assurance had been given. This included the operation of the Alternative Provider Framework Contract for Secondary Pupil Referral Units, Free early education entitlements and the Disclosure and Barring Service (DBS) checks in Children and Families. Within Corporate Core, it included the governance arrangements in M4 translations. In Growth and Neighbourhoods, limited assurance was awarded over the arrangements in place surrounding the operational management of the Food Safety Team. The Committee would be provided with a more detailed update on this in November.

The Committee discussed the areas which had been awarded limited assurance. A member was specifically concerned around the limited assurance for DBS checks and whether this presented any substantial risks. The Head of Internal Audit and Risk Management explained that the limited assurance was over lack of clarity over roles and responsibilities of individuals and difficulties in obtaining counter signatories, particularly in Children's Services. He assured members that these issues were now being resolved. The Committee requested more information on how significant this issue had been, and the measures taken to resolve it to be provided to a future meeting.

Members discussed the limited assurance awarded to the M4 translation Services and the reasons behind this. The Head of Insurance and Risk Management explained that this was around compliance with core policies and standards such as confirming the right to work in the UK, specifically for freelance translators. This was mostly due to record keeping but measures were in place to address this.

Following a query from a member, the Head of Internal Audit and Risk Management confirmed that results from audits of the ICT service and ICT security would be ready in the new year.

Decision

1. To note the report.
2. To note that the Committee will receive an update on the measures to tackle the limited assurance awarded to the operational management of the Food Safety Team in November
3. To request that further information is provided to a future meeting on the reasons for the limited assurance given to the Disclosure and Barring Service Checks, the risks created by this, and the measures to address the problems identified.

AC/15/39 Update Report on Adult Services

The Committee considered a report of the Director of Adult Social Care which provided members with an update on the activity to develop arrangements in adult social care, the outcome of the peer review of end-to-end delivery, adult safeguarding and social work practice, and the progress made to implement the recommendations from the peer review.

The Head of Safeguarding described some of the initial changes that had taken place as a result of the peer review. In safeguarding, there was a new independent chair of the Manchester Adult Safeguarding Board in place. New policies and procedures have been implemented to support greater consistency in safeguarding approaches. In addition, a case file audit has been completed and some areas for improvement have been identified. In response to a query from a member, the Head of Safeguarding confirmed that all staff would be trained in the new safeguarding policies and procedures over the next three months.

The Committee discussed the findings from the peer review, noting that there were some long standing issues such as inconsistencies in record keeping and the lack of "citizen voice" in the delivery of safeguarding. This was of concern as it was a requirement of the Care Act. The Head of Safeguarding confirmed that staff had recently visited citizen groups to seek their views on how they want to contribute to the design and delivery of the service. The records system was also being redesigned to ensure consistency. Members acknowledged that these concerns had been recognised in the peer review and measures were underway to address them.

A member referred to the outcome of the Ofsted Inspection of Children's Services and how the Committee was not made aware of potential issues beforehand so they could be addressed. The Committee sought clarification on the role of internal audit on the recognition and implementation of improvements to the service, particularly in areas where there was limited assurance. The Executive Member for Adult Services explained that the purpose of the peer review was to mimic the process of a formal inspection to identify where improvements could be made to the service as a whole. Internal Audit carries out reviews of components of services but they do not assess the whole service. The Head of Internal Audit and Risk Management confirmed that part of their role would be to ensure effective governance processes are in place.

The Committee agreed to receive a further report in six months time to monitor

progress of the implementation of the peer review recommendations. Members requested that this report included specific statistics on the number of staff that had been trained in the new safeguarding policies and procedures.

Decision

1. To note the report.
2. To receive an update report on the implementation of the peer review recommendations in six months time.

AC/15/40 Whistleblowing Policy

The Committee considered a report of the Head of Internal Audit and Risk Management, which provided an updated draft of the Council's whistleblowing policy. The Committee was asked to comment on the draft before it was presented to Personnel and Standards Committees.

The policy was last updated in 2012. This draft was amended to take account of learning from issues at Mid Staffordshire NHS Trust and in Birmingham schools, and to take into consideration the code of practice for effective whistleblowing arrangements published by Public Concern at Work. Key changes included additional information for school based staff when raising a concern in their workplace, greater clarity over disclosures made in the public interest and how the Council will handle and respond to these. The revised policy brings together the previous policy and supporting procedures into a single document.

A member raised some concern about whether it was appropriate for employees to be accompanied by a friend when they were interviewed after reporting potential breaches due to confidentiality. The Executive Member for Finance confirmed that this had been considered and that it encouraged people reporting breaches to be comfortable in interviews as it may not be possible for them to be accompanied by a work colleague or trade union.

The Committee discussed the content of the draft policy and how this could be improved. A member suggested a number of changes to the document to make it more accessible and easier to understand for all parties. This included changes around some of the language used at the start of the document and further amendments for clarification on the definitions of non maintained nursery schools, and where required, who the policy applied to. The Head of Internal Audit and Risk Management noted these suggestions and agreed that the document would be revised accordingly, and changes reported back to the November meeting.

Decision

To ask the Head of Internal Audit and Risk Management to amend the policy to take account of comments from the Committee, and to provide members with a copy of the final policy for its November meeting.