

Audit Committee

Minutes of the meeting held on 1 December 2016

Present:

Councillor Russell - In the Chair
Councillors Lanchbury, A. Simcock and Watson

Independent Co-opted members Dr D Barker and Dr S Downs

John Farrar, Grant Thornton
Mark Heap, Grant Thornton

Apologies: Councillor Ahmed Ali and Ollerhead

AC/16/40 Minutes

The minutes of the meeting held on 6 October 2016 were submitted to the Committee for approval. The Chair recommended that item AC/16/35 'Highways Improvement Report' should be corrected to read as;

'It was also confirmed that no assurance could be given with regard to gullies as these had not formed part of the comprehensive audit.'

John Farrar from Grant Thornton requested that the Interest in item AC/16/38 'Process for Appointment of External Auditor' that he declared be recorded in the minute and that it be recorded that he left the meeting during discussion of this item.

Decision

To approve the minutes of the meeting held on 6 October 2016 as a correct record subject to the above amendments.

AC/16/41 Treasury Management Interim Report 2016-17

The Committee considered the report of the City Treasurer which provided information on Treasury Management activities of the Council during the first six months of 2016-17. The City Treasurer introduced the report across its broad themes.

The Committee was informed that the Department for Communities and Local Government (DCLG) regulations require full Council to approve a Minimum Revenue Provision (MRP) Statement, in advance of each year. The report stated that if the Council wishes to amend its policy during the year this would need to be approved by full Council. The report further described the variety of options that are available to councils to replace the previous regulations, so long as there is a prudent provision.

The recommendation that will be submitted for approval to Council is that the revised Minimum Revenue Provision (MRP) policy where pre 2008 non-HRA Supported Capital Expenditure is provided for at 2% of the outstanding balance from 2016-17. The Committee endorsed this recommendation.

The report further described the proposals for stock redemption. The Finance Lead described the nature of the stocks identified and the challenges presented in managing these as many were very old. He described that some had been traded on the open market and others had transferred to individuals following bereavements.

A member commented that it is important to be clear when reporting on the council's cashflow, that some monies are collected by the Council but passed to other bodies, such as Business Rates income that is returned to central government, to avoid giving the perception that the Council has more funds available than is the case.

Decisions

1. The Committee noted the report.
2. The Committee approved the redemption of Council Stock.
3. The Committee recommend to Council the revised Minimum Revenue Provision (MRP) policy where pre 2008 non-HRA Supported Capital Expenditure is provided for at 2% of the outstanding balance from 2016-17.

AC/16/42 Progress Report and Update – Year ending 31 March 2017

The Committee considered the update report of the external auditors, Grant Thornton. The Committee welcomed John Farrar and Mark Heap from Grant Thornton who introduced the report across its broad themes.

Mr Heap informed the Committee that Grant Thornton continue to consider the documentation relating to the objection submitted regarding the Council's portfolio of Lender Option Borrower Option (LOBO) loans. He said that they have had cooperation from Council Officers when requesting documentation. In response to a question from a member of the Committee Mr Heap said that findings of this investigation will be reported to the Committee at an appropriate time upon conclusion of the investigation.

A member asked how the Vibrant Economy Index, that was referred to within the report is assessed and what information is used to inform this Index. Mr Heap advised that he would provide the member with information on this Index.

Mr Heap further suggested that members of the Committee may find the recent webinars of interest, especially the event entitled 'Cyber security on the public sector'

Decision

To note the report.

AC/16/43 The Annual Audit Letter for Manchester City Council

The Committee considered the report of the external auditors, Grant Thornton. Mark Heap introduced the report across its broad themes. Mr Heap informed the Committee that this is an update report which included information on the Ofsted Inspection of children's services.

A member enquired if commentary on the recent senior management pay awards will be included in any future update report. Mr Heap confirmed this will be considered as part of employee remuneration reporting and will be included in future update reports to the Committee.

Decision

The Committee noted the report.

AC/16/44 Draft Code of Corporate Governance

The Committee considered the report of the Deputy City Treasurer which presented the proposed draft Code of Corporate Governance which is in accordance with revised published guidance. The Committee were informed that compliance with this Code would be monitored on an annual basis through the Council's Annual Governance Statement. The Performance Manager, Place and Core introduced the report across its broad themes.

The Performance Manager informed the Committee that draft Code of Corporate Governance had been written with the 'Our Manchester Approach' embedded throughout the document. He said that the Code sets out the governance standards for the Council but deliberately does not include details of how these standards will be achieved. This will be described in the Annual Governance Statement.

The Committee were informed that the Draft Code is to be submitted to Standards Committee for comments on 15 December. The Standards Committee will receive the draft Code as well as comments and recommendations made by Audit Committee. The Code forms part of the Council's Constitution and will be submitted to Council for adoption and inclusion within a revised Constitution at its meeting on 25 January 2017.

A member said that the Register of Key Decisions that is regularly published is not transparent and does not provide Councillors or members of the public with sufficient information or clarity about the decisions scheduled to be taken. The member recommended that specific attention is given to review the information provided in the Register of Key Decisions to ensure that it is transparent.

Decisions

1. The Committee noted the report.
2. The Committee recommend that the Register of Key Decisions be reviewed to

ensure that the information provided is presented in a clear and transparent manner.

AC/16/45 Corporate Complaints Process and Reporting

The Committee considered the report of the City Treasurer which provided information on the Council's annual performance for 2015/16, as well as the first two quarters of 2016/17 in the management of corporate and social care complaints, Councillor and MP enquiries. The report further provided information on how the Council had used this information to influence service improvements. The Complaints Manager, Corporate Complaints Team introduced the report across its broad themes.

The Complaints Manager informed the Committee that typically any referral to the Ombudsman can only be made after the internal complaints system had been exhausted. She stated that currently the process operates in three stages, but this is being revised from January 2017 to only two. In response to a member's question she said that the number of internal stages for considering complaints is agreed by each local authority, but the Local Government Ombudsman recommends only two stages. However the exception to this are cases of complaints regarding Adult Social Care where the legislation prescribes that following one response from the local authority this can then be referred to the Ombudsman. Children's Services social care complaints also follow a legislative complaints process.

Members of the Committee then discussed the difference between concerns raised and when these would escalate to a complaint. Members commented that the number of formal complaints received is easy to report on however there is a challenge to capturing and reporting 'concerns' raised by members.

The Complaints Manager acknowledged that whilst there is a process for recording contact from Councillors and MPs as "enquiries", there are a number of issues or concerns raised by both Councillors and residents, that are dealt with outside of the complaints process, such as through ward coordination, and it is largely down to discretion concerning those that need to be formally recorded and progressed as a complaint.

She described that staff receive training in relation to complaint handling and written guidance, in the form of a policy and procedures manual which is available on the intranet for staff to help them recognise complaints and how to correctly record and respond to these. She stated that if Councillors are not satisfied with a response provided to any concern raised that they are able to escalate this to a formal complaint.

Members recommended that the new complaints policy and guidance be circulated to all members of the Council and local MPs when it is available in January 2017.

Members discussed the performance management of complaints and recommended that Strategic Directors should be required to, rather than encouraged to share their Directorate complaints reports with their associated Executive Members on a quarterly basis. The Complaints Manager informed the Committee that she would relay this to all Strategic Directors.

Decisions

1. The Committee noted the report.
2. The Committee recommend that Strategic Directors should be required to share their Directorate complaints reports with their associated Executive Members on a quarterly basis.
3. The Committee recommended that the formal complaints new policy and guidance be circulated to all members of the Council and local MPs when it is available in January 2017.

AC/16/46 Significant Partnerships Register

The Committee considered the report of the Deputy City Treasurer which presented the 2016 Register of Significant Partnerships. The report further described the format, and the review and assurance process associated with the register, including an explanation of improvements made to the process. The report focused on partnerships which had been added to the Register during 2016 and those where the risk rating has changed, or where the risk rating remained “medium” or “high” following last year’s self assessment. The Performance Manager, Place and Core introduced the report across its broad themes.

The Performance Manager, Place and Core described the new entries on the register and the rationale for each rating. A member asked if any new entry on the register is automatically given a rating of ‘High’. The Performance Manager responded by saying that not necessarily and each entry will be assessed on its own merits.

In response to a member’s question regarding why the report did not include information on Highways, Clinical Commissioning Groups or IT the Head of Internal Audit and Risk Management informed the Committee that these arrangements are contract arrangements rather than partnerships. The Performance Manager acknowledged the comments regarding the distinction between partnerships and contract arrangements and said a review of the definition of significant partnerships would be undertaken to ensure it is clear what types of contract should be treated as partnerships for the purposes of the Register.

A member asked if the decision to change the rating from ‘High’ to ‘Medium’ for the Manchester Safeguarding Children’s Board is appropriate. The rating proposed reflected the recognised improvements in the reporting and governance arrangements of the Board. A member of the Committee noted that the view of the external auditor, as presented within the report considered at item AC/16/43 did not support the proposed reduction in the risk register and proposed that it remained ‘high’.

The Strategic Director of Adult Social Services recommended that a report is submitted for consideration by the Audit Committee at an appropriate time that describes the work undertaken to improve the governance arrangements of the Children’s Board. She further suggested that the Independent Chair of the Board be

invited to the meeting to answer member's questions. The Strategic Director of Adult Social Services further informed the Committee that the next register of Significant Partnerships will be updated to include the Manchester Provider Board and the Single Commissioning Function to reflect the emerging changes to Adult Health and Social Care delivery.

The Committee then discussed the rating of 'Medium' allocated to Biffa Municipal Ltd. Members stated that this should be rated as 'High'. Members described operational issues that they had experienced within their respective wards and said that they were not satisfied that the governance arrangements at a service delivery level were operating sufficiently well to justify a 'Medium' rating. A member commented that she was not confident that the IT system used by Biffa is satisfactory and is providing the data to offer expected levels of assurance. The Committee were advised that further information regarding the IT system used by Biffa would be brought back to the Committee.

Decisions

1. The Committee noted the report.
2. The Committee recommend that the rating for Biffa Municipal Ltd to be recorded as 'High'.
3. The Committee recommend that the rating for Local Safeguarding Children's Board be recorded as 'High'.
4. The Committee noted that a progress report covering activity to strengthen governance arrangements in partnerships with a medium or high risk will be brought back in June and requested that an invitation to the meeting be sent to the Independent Chair of the Safeguarding Board
5. The Committee welcomed the proposed review of definition of significant partnerships and the reporting of 'High Risk' partnerships to the Audit Committee. The Committee noted the fine distinction between a contract and a 'partnership' and recommended that if the new definition of partnership did not cover it then the Council's largest and most potentially sensitive contracts should also be tracked, possibly as an addendum to the partnerships register.
6. The Committee recommended that a note regarding the IT system used by Biffa Municipal Ltd is brought back to the committee.

AC/16/47 Annual Governance Statement - Six Months Update

The Committee considered the report of the Deputy City Treasurer which presented a summary of the progress that had been made to date in implementing the governance recommendations from the 2015/16 Annual Governance Statement (AGS). It also outlined the next steps in the process of producing the Annual Governance Statement 2016/17. The Performance Manager introduced the report across its broad themes.

In response to a members question he confirmed that each key workstream activity identified within the report has an associated action plan with specific timescales to monitor and deliver these.

The Chair enquired about the time scales associated with development of the governance arrangements for partnership agreement between the Council and Clinical Commissioning Group (CCG). The Strategic Director of Adult Social Services described the process to be undertaken, following approval by NHS England to reconfigure the three Manchester CCGs into one CCG. She informed the Committee that both the Health and Wellbeing Board and the Health Scrutiny Committee receive progress reports on this subject.

Decision

The Committee noted the report.

AC/16/48 Appointment of External Auditors – Oral report

The Committee received an oral update from the City Treasurer regarding the appointment of external auditors. She advised the Committee that this is an ongoing area of work. She said that there are a number of logistical challenges presented to address at a GM level, however the progress of this area of work continues within the agreed timescales.

The Chair stated that any agreements and discussions at GM level needed to demonstrate a commitment to the level of Social Value as agreed in the Manchester Procurement Policy. The City Treasurer said that if Manchester had any concerns it reserved the option to appoint its own external auditor.

The Committee requested that an update report is submitted for consideration at the January 2017 meeting and that this item be considered as the first substantive item on the agenda.

Decision

The Committee recommended that an update report be submitted for consideration at the January 2017 meeting.

[Mark Heap and John Farrar, Grant Thornton declared an interest and withdrew from the meeting during consideration of this item.]

AC/16/49 Work Programme

Members were invited to agree the Committee's future work programme. A member recommended that an additional meeting is called in March 2017. The Committee agreed that this would be appropriate and supported this recommendation. The Chair said she will review the reports to be considered at the January and March meeting to ensure they are scheduled to ensure enough time is allocated to consider each

item.

Members further agreed that members' pre meetings are to commence at 9.15 am and the substantive meetings are expected to last until 12.30 pm to allow enough time to consider all items of business listed on the published agenda.

Decisions

1. The Committee noted the report.
2. To call an additional meeting of the Audit Committee in March 2017. The date to be confirmed by the Chair and circulated to all members of the Committee.
3. The Committee agreed that the member's pre meeting will commence at 9.15 am.

AC/16/50 ICT Whistleblowing Approach

This matter was deferred to the next meeting of the Audit Committee on 26 January 2017.