

Audit Committee

Minutes of the meeting held on 26 January 2017

Present:

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

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

Councillor Flanagan, Executive Member for Finance and Human Resources

Also Present:

John Farrar, Grant Thornton

AC/17/01 Minutes

Decision

To approve the minutes of the meeting held on 1 December 2016 as a correct record.

AC/17/02 Options for Appointment of External Auditor

The Committee considered the report of the City Treasurer and Head of Audit and Risk Management which provided members with an update on the proposals for the appointment of the external auditors. The City Treasurer introduced the report.

The City Treasurer informed the Committee that due to the robust requirements regarding conflicts of interests, and the resource intensive nature of the procurement process it would prove difficult to manage the appointment of an external auditor across all the GM Authorities and the preferred option would be to opt into the Public Sector Audit Appointments arrangements. This is in line with the recommendation being made by the GMCA Audit Committee. The Council could run their own exercise but there would be risks of attracting sufficient interest and value for money for a Manchester City Council only audit contract.

The City Treasurer said that the GMCA, supported by the ten GM Districts had continued to lobby for the inclusion of a larger emphasis on Social Value in the procurement process. Some progress had been made and there will be two specific questions in this area but at 5% of the evaluation it remains significantly below the 20% in the GM Ethical Procurement Policy. The City Treasurer said that she was extremely disappointed in the response but for the reasons previously outlined, opting into the PSA remained the preferred option.

The Executive Member for Finance and Human Resources said that he was

disappointed with the level of Social Value to be attached to the contract and Manchester had led the way in requiring a 20% Social Value element of any contract, he said he would continue to argue for this. He said that Social Value is not a tick box exercise but rather an opportunity to deliver real change for residents. A member commented that other Authorities had looked to Manchester to develop their own ethical procurement policies and he encouraged other Authorities to promote this approach initiated in Manchester. However reluctantly he supported the approach.

Members then discussed the fee for opting into Public Sector Audit Appointments Limited (PSAAL). The City Treasurer advised that this fee was not currently known and the Head of Audit and Risk Management said that the fee will be determined once the actual number of Authorities that opt into this arrangement is confirmed. The Executive Member for Finance and Human Resources said that as soon as this information is available he would share this with the Committee.

Members commented that if more Authorities buy into this arrangement the cost to individual Authorities would reduce. The Head of Audit and Risk Management said that it is anticipated that the majority of Authorities will opt into the PSAAL process. He further advised that once the fees are known authorities have an eight week period before they confirm the agreement. He informed the Committee that any contract entered into would be for a period of five years. The City Treasurer reassured the Committee that they will be kept informed with these developments.

Decision

The Committee noted the current position in respect of arrangements for the appointment of external auditors and supported the approach outlined by the City Treasurer. The City Treasurer will brief Audit Committee in advance of a formal decision report to Council.

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

AC/17/03 Internal Audit Progress Report 2016/17

The Committee considered the report of the City Treasurer and Head of Audit and Risk Management which provided a summary of the work of the Internal Audit Section from April to December 2016. The report described progress with delivery of the annual audit plan; a summary of assurance opinions on completed audits and the exposure to risk where recommendations are outstanding. The Head of Audit and Risk Management introduced the report.

Members commented on the significant reported increase in the cases of Child Protection Plans with no visit recorded. The Head of Audit and Risk Management said that Children and Young People Scrutiny Committee and the Children's Improvement Board continue to monitor and challenge performance. He stated that he would request an update from the Strategic Director of Children's Services. The City Treasurer highlighted that there were robust arrangements in place at the Performance Board that considered all areas of performance and that there are

dangers of looking at single pieces of data without the full context.

A member suggested that a formal recommendation should be made by the Audit Committee to the Chairs of both the Corporate Parenting Panel and the Children and Young People Scrutiny Committee to request that they scrutinise this area of activity. The Committee agreed this recommendation.

A member asked if the information contained within the report relating to school attendance and Education Health Care Plans related only to those schools controlled by the Local Authority. The Head of Audit and Risk Management confirmed this was correct, however the Strategic Director for Children's Services still has overall responsibility for safeguarding and he would explore how attendance information is shared locally for those schools who report directly to the Department for Education.

The Chair enquired about those cases when Internal Audit is unable to confirm that recommendations had been implemented more than 12 months after being accepted. The Committee said that if a recommendation from Internal Audit had been accepted there should be an explanation provided as to why this had not been implemented. The Chair recommended that these should continue to be monitored and if by the nine month stage the recommendation is still outstanding the relevant Strategic Director and Executive Member should be invited to the Audit Committee to explain their reasons for this. The Committee supported this recommendation.

Members expressed concern with the overall general trend described within the report and the continued identified risk of both ICT and areas of Children and Families Compliance in the previous three years. Members requested that these concerns are recorded and noted by the Executive. The Head of Audit and Risk Management informed the Committee that he would address this in his Annual Opinion that is to be submitted to the Committee for consideration. The City Treasurer explained that internal audit reporting formed one element of the broader assurance framework and said that the Annual Governance Report will also seek to address and report on the concerns expressed by the Committee.

The Chair said that if the Committee still had concerns following consideration of the Annual Opinion she would write to the Chief Executive to formally raise the concerns of the Audit Committee. The Committee supported this approach.

The City Treasurer said that that the culture had shifted to Strategic Directors now proactively engaging Internal Audit to review areas where they had concerns. She said that she would not want to discourage Directors involving Internal Audit to help identify issues and offer solutions. She further said that work is underway to review how the reporting of assurance is delivered to bring together the various reporting mechanisms to the Senior Management Team. She said that this strengthened reporting will help identify areas of concern or emerging themes that have not been addressed so that they can then be escalated where appropriate. Members welcomed this and requested that this revised reporting be shared with this Committee.

In response to a comment from a member regarding staff attendance, a member said that the Human Resources Sub Group will monitor this.

Decision

1. The Committee recommended that the revised reporting mechanism shall be reported to the Audit Committee.
2. The Committee recommended that following consideration of the Annual Opinion of the Head of Audit and Risk Management and the Annual Governance Statement the Chair of the Audit Committee shall write to the Chief Executive to raise any concerns that the Committee may have about the wider control/governance position if the Committee considers it warranted.
3. The Committee recommend that Children and Young People Children Scrutiny Committee and the Corporate Parenting Panel consider the reported increase in the number of the cases of Child Protection Plans with no visit recorded.

AC/17/04 Global Revenue Budget Monitoring Report to end of October 2016

The Committee considered the report of the City Treasurer which provided a summary of the Council's revenue budget position based on an assessment of income and expenditure to the end of October 2016. The City Treasurer introduced the report across its broad themes.

In response to a members question the City Treasurer advised that Housing Revenue Account financial modelling had taken into account the reduction in social housing rents and incidents of Right to Buy. The Chair of the Resources and Governance Scrutiny Committee informed the Committee that they had considered this as part of the Budget scrutiny.

A member of the Committee asked if the reported Council Tax and Business Rates collection figures are in year figures and if they are comparable with previous years. The City Treasurer confirmed that they are the year to date position and that they are comparable with previous year's figures.

Decision

To note the report.

AC/17/05 Interim Report and Grants Update

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

Mr Farrar informed the Committee that as a result of his recent promotion a colleague, Stephen Nixon will be attending future meetings of the Audit Committee to represent Grant Thornton and assist the Audit Committee.

The Chair congratulated Mr Farrar on his promotion and thanked him for his support

to the Audit Committee.

Decisions

To note the report.

AC/17/06 External Audit Recommendations Monitoring Report

The Committee considered the report of the City Treasurer and Head of Audit and Risk Management which provided assurance to the Audit Committee and Grant Thornton that the recommendations arising from external audit work have been, or are being, implemented in a timely and satisfactory fashion. The Head of Audit and Risk Management introduced the report across its broad themes. He informed the Committee that since the report had been published all of the outstanding actions had now been completed.

Decision

To note the report.

AC/17/07 Anti-Money Laundering Policy

The Committee considered the report of the Head of Internal Audit and Risk Management which provided the draft version of the revised Council Anti-Money Laundering Policy.

The Head of Internal Audit and Risk Management introduced the report and informed members that the policy was last updated in February 2012 and had been refreshed to take account key changes as described at section 3.3 of the report.

Members broadly welcomed the report and the revised policy and asked how this was to be relayed to all staff and if this is incorporated with any mandatory training. The Head of Internal Audit and Risk Management said that this will be included in awareness sessions for all staff and more specific training will be directed to those staff as being identified as being more likely to require this due to the nature of the work they are undertake. He said that the delivery of this training will be reviewed this year.

The Executive Member for Finance and Human Resources said that money laundering can be very sophisticated however if anybody has any suspicions they had a duty to report this. The Head of Internal Audit and Risk Management said that staff had welcomed the policy and guidance as it provided them with the required information on where to report any concerns they may have.

The Chair commented that the policy as presented used technical terminology throughout that is not useful to the lay reader. The City Treasurer accepted this comment and agreed that this would be reviewed.

A member commented that the use of the term 'involved' to describe when a member could potentially be implicated in any money laundering offence will be problematic for Councillors. The Executive Member for Finance and Human Resources acknowledged this comment and assured the Committee that he would review this.

Decision

1. To approve the draft policy for adoption subject to the above amendments.
2. To receive the amended draft policy at a future meeting of the Committee.

AC/17/08 Work Programme and Recommendations Monitor

The Committee considered the Work Programme and Recommendations Monitor.

Decision

To note both the Work Programme and Recommendations Monitor.

AC/17/09 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 to the financial or business affairs of particular persons, and public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC/17/10 ICT Whistleblowing Approach (Public Excluded)

The Committee considered the report of the City Solicitor that provided detail of a recent case in which a whistleblowing allegation had been made against Internal Audit and reviews the procedures to be followed in such instances.

The Executive Member for Finance and Human Resources, the City Solicitor and representatives from the Internal Audit Department responded to questions from the Committee regarding the allegations and subsequent investigation. Members expressed their considerable disappointment that this matter had not been made known to the Committee or at least the Chair at an earlier opportunity. Members voiced concern about a disparity between the report and the information provided verbally, and noted that the report was not as clear on the order of events and allegations as it might have been.

Members commented that the Whistleblowing Policy should clearly describe where any allegation should be referred to and dealt with if an Executive Member had a conflicting interest in relation to any allegation.

Decision

1. The Committee requested that the City Solicitor submit a further report for consideration by the Committee. This report will be more clear on the allegations and order of events and the personnel involved in decision-making, and review the current Whistleblowing Policy and in particular; the process where allegations were made about Internal Audit, and the role of Audit Committee in relation to Whistleblowing allegations.
2. The Committee recommended that in addition to the requested review the report to be submitted by the City Solicitor shall include the recommendations that were made about Internal Audit and an update on their implementation;
3. The Committee also recommended that the report should include a narrative on the lessons learnt from this investigation.
4. That the Whistleblowing Policy be revised to take into account the issues addressed by the Audit Committee and then brought back to the Committee.