

## **Audit Committee**

### **Minutes of the meeting held on 6 March 2017**

#### **Present:**

Councillor Russell - In the Chair  
Councillors Lanchbury, Siddiqi, 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  
Mark Heap, Grant Thornton  
Stephen Nixon, Grant Thornton

**Apologies:** Councillor Ahmed Ali

### **AC/17/11 Minutes**

In response to a question from a member of the Committee the City Treasurer informed the meeting that a report on the appointment of an external auditor had been submitted to the 3 March meeting of Council. The recommendation to approve the City Treasurer to confirm opt-in to the national external audit procurement process being run by PSAA Limited in conjunction with the LGA had been agreed.

The Head of Internal Audit and Risk Management informed the Committee that in relation to item AC/17/03 Internal Audit Progress Report 2016/17, the figures reported regarding the Child Protection Plans were incorrect. He explained that a briefing note explaining the data reported will be shared with the Chair of the Committee and the Executive Member and the Director of Children's Services. The Head of Internal Audit and Risk Management reassured the Committee that the performance was not deteriorating as previously reported.

The Chair recommended that a report be submitted to the next meeting to clarify the information in relation to the Child Protection Plan figures. The Committee agreed to this.

#### **Decisions**

1. To approve the minutes of the meeting held on 26 January 2017 as a correct record.
2. To agree that a revised report be submitted to the next meeting to clarify the information in relation to the Child Protection Plan figures.

## **AC/17/12 Sources of Assurance and Planned Development to the Performance Management Framework**

The Committee considered the report of the Deputy City Treasurer that provided members with details of the planned developments to the Council's Performance Management Framework (PMF), which are intended to lead to enhanced reporting of assurance at all levels of the organisation. The Deputy City Treasurer introduced the report.

In response to questions from the Committee the Deputy City Treasurer confirmed that Internal Audit are involved with the development of this area of activity to ensure that an integrated approach is adopted. She also said that complaints will continue to be monitored as it is recognised that these can help identify areas of risk.

The Performance Manager, Performance and Intelligence informed the Committee that the Complaints Dashboard is reported quarterly across directorates and that an annual report on complaints performance is submitted to the Audit Committee. He advised that the schedule that described the reporting arrangements that was provided at Appendix 3 of the report will be amended to include this. The Committee supported this.

The Committee welcomed the report and improvements described to develop a single view of organisational challenges. In response to a question regarding the timeline to implement these improvements the Deputy City Treasurer informed the Committee that it is anticipated that this will be established for 2017/18 reporting purposes.

The Chair enquired if this new reporting system will be included in the Annual Governance Statement (AGS). The City Treasurer advised that the AGS is a retrospective review and that this new system will be included in the following AGS.

### **Decisions**

1. To note the report.
2. To agree that the Overview of Regular Reporting Arrangements schedule be updated to include the Annual Complaints report to the Audit Committee.

## **AC/17/13 Corporate Risk Approach and Risk Register**

The report of the City Treasurer and Head of Internal Audit and Risk Management was considered. The report described that the Audit Committee Terms of Reference included a responsibility to obtain assurance over the Council's risk management arrangements. The Corporate Risk Register (CRR) is a core element of these arrangements as it represents an articulation and assessment of key risks facing the organisation. The CRR is presented to Audit Committee annually to provide assurance over the approach taken to identify, assess and manage corporate risks. The Head of Internal Audit and Risk Management introduced the report.

In response to a question from a member of the Committee the Head of Internal Audit and Risk Management said that the scoring of risk had been determined following the controls being applied. The Committee asked for details regarding the ten risks removed from the register since the last update and the City Treasurer confirmed this information would be provided.

A member enquired how risk is escalated from a directorate level to a corporate level. The Head of Internal Audit and Risk Management said that the Corporate Risk Management Group meet to review this and agree the appropriate management of these risks.

A member commented that future update reports include a comparison of the previous rating for each risk identified. He said this would be useful to monitor improvements or identify areas of concern. The Committee supported this recommendation.

A member commented that ICT is identified within the High and Medium Risks listed. The Head of Internal Audit and Risk Management said that ICT is one of many enabling services to help mitigate risk within the organisation.

A member commented upon the Risks identified under the heading of Manchester People. She commented that the language was inappropriate as these risks relate to individuals and their families and it is important that the implications of this are appreciated. The Head of Internal Audit and Risk Management said that the risk was describing the implications of that would arise from a lack of effective governance arrangements and not risks to children. The Chair said that it is important that while it is understood that the reporting of risk is in the context of governance it should always be sensitive to the impact on the residents of Manchester.

In response to a question from the member he advised that the target for reducing demand on services is reflected in the directorate budget and service plans.

## **Decisions**

1. To note the report.
2. To agree that future update reports include a comparison of the previous rating for each risk identified.

## **AC/17/14 Emergent Internal Audit Plan 2017/18**

The report of the City Treasurer and Head of Internal Audit and Risk Management was considered that provided Members with details of the emergent Internal Audit Plan for 2017/18. The Head of Internal Audit and Risk Management introduced the report. He informed the Committee that the final Internal Audit Plan 2017/18 will be submitted to the June meeting of the Committee.

The Head of Internal Audit and Risk Management responded to a members question regarding staffing levels with the Internal Audit team and advised that additional staffing resources had been secured in comparison to the 2016/17 audit plan.

A member commented that the final Audit Plan should cross reference to risks and that the register should assist with sources of assurance. The Head of Internal Audit and Risk Management confirmed that as in previous years this would be reflected in the final audit plan.

### **Decision**

1. To note the report.

### **AC/17/15 The Audit Plan for Manchester City Council**

The Committee considered the report of the external auditors, Grant Thornton. Mark Heap from Grant Thornton introduced the report across its broad themes. The Committee also welcomed Stephen Nixon from Grant Thornton.

Mr Heap informed the Committee that the figures provided at page 7 of the report had been a transposed incorrectly and that the figure relating to 'Related party transactions' should have appeared in the 'Disclosure of officer's remuneration' section and vice versa.

A members asked for an update to the objection to the Council's portfolio of 'Lender Option Borrower Option' (LOBO) loans. Mr Heap advised that it is anticipated that the issue will be heard and determined with the prescribed nine month timescale.

### **Decision**

1. To note the report.

### **AC/17/16 Progress Report and Update**

The Committee considered the update report of the external auditors, Grant Thornton. Stephen Nixon from Grant Thornton introduced the report.

Members welcomed the new approach adopted to reporting, especially in the context of the integration of health and social care. Mr Heap said that this to ensure that governance arrangements are aligned and respond to organisational change.

The Head of Internal Audit and Risk Management responded to a question from a member by confirming that Internal Audit had been involved in the development of the integrated health and social care arrangements. The City Treasurer advised that this area of work will be reported in the Annual Governance Statement.

The Chair recommended that a report on the integrated health and social care governance arrangements be submitted to the next meeting of the Committee and

that this report is shared with the Health Scrutiny Committee.

### **Decisions**

1. To note the report.
2. To receive a report at the next meeting that describes the governance and assurance arrangement for the integrated health and social care system. This report will be shared with the Health Scrutiny Committee.

### **AC/17/17 Letters to the Chair of the Audit Committee and Senior Management**

The Committee received the letters to the Chair of the Audit Committee and Senior Management from the external auditor Grant Thornton. The Chair informed the Committee that the responses to these requests for information will be provided to the Committee.

### **Decision**

1. To note the report.

### **AC/17/18 Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The Committee considered the report of the City Treasurer that explained the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2016/17 accounts and updated Members on the main differences in those from 2015/16. The Committee was invited to approve the accounting concepts and policies that will be used in completing the 2016/17 annual accounts.

### **Decision**

1. To approve the accounting concepts and policies that will be used in completing the 2016/17 annual accounts and note the critical accounting judgements made and key sources of estimation uncertainty

### **AC/17/19 Internal and External Audit Recommendations**

The report of the City Treasurer and Head of Internal Audit and Risk Management was considered that summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations. The Head of Internal Audit and Risk Management introduced the report.

The Head of Internal Audit and Risk Management informed the Committee of the

new arrangements for inviting the relevant Strategic Director and Executive Member to meetings of the Audit Committee to explain why Internal Audit recommendations had not been implemented at the nine month stage.

In response to a question from the Chair the Head of Internal Audit and Risk Management said that the finalised report that detailed the Internal Audit recommendations will also be shared with the appropriate Executive Member.

Members expressed disappointment that no one was in attendance at the meeting from Growth and Neighbourhoods to address the Committee regarding the outstanding recommendation that related to Parks Operational Management. A member commented that they were not satisfied that the appointment of an additional member of temporary staff would be sufficient.

The Executive Member for Finance and Human Resources advised that Executive Members needed to be made aware of any outstanding recommendations at the seven month stage and that the reporting of such issues between the Strategic Director and the Executive Member need to be strengthened. A member suggested that the Executive Member should be made aware at the six month stage. The Committee supported this recommendation.

The Chair expressed disappointment that this reporting is not already happening and requested that this process and expectation is relayed to the Strategic Management Team. The Chair said all Strategic Directors and their relevant Executive Member are now required to attend meetings of the Audit Committee to explain why recommendations from Internal Audit remain outstanding after nine months.

The Committee welcomed the Strategic Director of Education and Skills who attended the meeting to update the Committee on the Secondary Pupil Referral Unit. He informed the Committee that since April 2013 Pupil Referral Units are subject to the same management controls as maintained schools. He said that following a recent Ofsted inspection the PRU had been awarded a 'Good' rating and he was confident that the schools governing body had implemented the recommendation. He said that formal confirmation of this would be provided to Internal Audit.

In response to a question from a member of the Committee, the Strategic Director of Education and Skills said that measures can be taken to intervene if a school wilfully ignores a recommendation, however this would need to be assessed in each individual case.

## **Decision**

1. To agree that the finalised Internal Audit reports and recommendations are to be shared by Internal Audit with the relevant Executive Member as well as the Strategic Director.
2. To agree that the relevant Executive Member should be informed by Internal Audit at the six month stage of any outstanding recommendations.
3. To agree that the relevant Executive Member and Strategic Director shall

attend the Audit Committee to explain why any recommendation remains outstanding after nine months.

**AC/17/20 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/17/21 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/17/22 ICT Whistleblowing Approach**  
(Public Excluded)

The Committee considered the report of City Solicitor and Head of Internal Audit and Risk Management.

At the Audit Committee meeting on 26<sup>th</sup> January 2017, the Committee considered a report of the City Solicitor that provided details of a recent case in which a whistleblowing allegation had been made against Internal Audit and reviewed the procedures to be followed in such instances.

The Committee requested a further report be submitted and should include clearer details of the allegations, details of recommendations that were made about Internal Audit; a narrative about lessons learned and a review of the current Whistleblowing Policy, in particular where allegations may relate to Internal Audit.

The Committee welcomed the report and the information provided.

The Committee agreed that the Chair of Audit will be informed in confidence of whistleblowing allegations against Internal Audit and the Leader will be informed if there is a conflict of interest for a member on a whistleblowing matter.

The Committee recommended that section 9.3 be reworded to include External Audit as well as Internal Audit.

## **Decision**

1. To agree that the proposed amendments to the Whistleblowing Policy be adopted subject to the above amendments.