

Audit Committee

Minutes of the meeting held on 23 June 2017

Present:

Councillor Russell - In the Chair
Councillors Andrews and Watson.

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, Lanchbury, Ollerhead, Siddiqi, A. Simcock,
Independent Co-opted members Dr D Barker and Mr S Downs.

AC/17/23 Minutes

Decisions

1. To approve the minutes of the meeting held on 6 March 2017 as a correct record.

AC/17/24 Internal and External Audit Recommendations.

The Head of Audit and Risk Management presented the report to the Committee. The report summarised the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations. He confirmed that all of the high priority recommendations that were overdue for 9 months or more were now completed.

A member of the Committee queried whether the recommendations that were overdue less than 9 months were concentrated in specific service areas or spread across all the service areas identified in the report. Officers confirmed that the outstanding recommendations were relatively evenly spread across all of the identified service areas, and that the outstanding recommendations in this section of the report were in fact overdue for more than 6 months.

The Committee also asked for further information as to what the recommendations were as it was difficult to evaluate the effectiveness of the process without knowledge of the detail of the recommendations. Officers confirmed that the current process was that the recommendations that were overdue for more than 6 months were initially reported to the relevant Executive Member, and that those that became overdue more than 9 months were then reported to the Audit Committee.

The Chair requested that the initial report to Executive at 6 months overdue also be provided to the Audit Committee if the recommendation was not implemented by 9 months. This would provide members of the Audit Committee with important context of the detail of the recommendations as they were originally reported.

Decision

1. To note the report.
2. To request the process is changed so that a list of recommendations that were overdue more than 6 months but less than 9 months should be brought to the committee going forward.
3. To receive a report on recommendations overdue more than 9 months to include detail of the action taken in the period they became overdue more than 6 months.

AC/17/25 Internal Audit Annual Assurance Report 2016/17

The Head of Audit and Risk Management presented the report to the Committee. The report provided Members with the Head of Internal Audit's annual assurance opinion on the Council's system of governance, risk management and internal control as well as a summary of the work undertaken in 2016/17.

The Committee expressed interest in a more detailed discussion about the Peer Review carried out by Liverpool City Council that was contained in the report and they recognised the importance of a thorough analysis of the issue. The Committee also requested that they receive details of the response from Manchester City Council Internal Audit to the results of the Peer Review and the measures taken with regard to the action plan contained at Appendix 2 of the report.

A member of the Committee asked if Officers were disappointed with the moderate assurance level provided in the report, and Officers confirmed that this was disappointing but realistic given that there are different areas of focus in any given year. The Committee also queried why the areas of limited assurance had increased over the past 2 or 3 years, and whether an underlying cause or trend could be identified. Officers confirmed that resources were constrained and that this had created challenges across the whole organisation. Officers also confirmed that staff capacity had been stretched, and that the prospect of improvement in resources and capacity was very limited.

Officers also said that the work in Children's Services had been very difficult, particularly given the results of the OFSTED report in 2014, but that improvements had been made which were encouraging. Officers also said that there was a determination to continue to improve despite the challenges faced by the organisation as a whole.

Officers acknowledged that there was a significant ongoing challenge in the ICT infrastructure, and the investment required in this area. However, they also reported that there have been significant areas of improvement, notably in ICT security, and

the areas that require further ongoing investment such as ICT resilience and infrastructure have been identified.

Officers also said that Contracts and Commissioning are currently an area of high focus, and that there is a senior officer currently working intensively to assist with strengthening the arrangements in these areas and to ensure that the resources available are used to the best advantage of the organisation.

A member of the Committee said that it was disappointing that contract management and governance was still a weakness 8 years after the issue was first raised. The Committee agreed that this should be a separate topic that must be more closely examined in detail, with a report from the relevant Executive Member and Director. However, the Committee also recognised the difficulty that this might present as the issues surrounding contract management and governance are spread across the whole organisation and not restricted to one directorate or area of operation.

The Committee also expressed significant concern at the lack of compliance with existing requirements for the formalisation of contract agreements and signing authorities as set out in the Council's Constitution and Procurement Rules, which resulted in instances of implied agreements rather than formal written contracts, which is a very undesirable position to be in. The Committee decided that they required the recommendations that resulted from this aspect of the report as they would not be in a position to evaluate the situation unless they knew what the recommendations were.

The Committee expressed concern that limited assurance had been given to the Independent Living Fund but were reassured that all the recommendations had been implemented and that this function had now completely transferred into the Council's resources.

The Chair of the Committee also requested that the language used in the reports does not suggest that the Audit Committee had more oversight over the issues raised in the report than was found in reality and gave examples of her concerns in this regard. She also reminded Officers that they had previously requested a trend analysis to show how identified issues improved or otherwise over time, and requested that this be included in the report as a standing point.

The Committee requested further information be provided about the deferred and cancelled items of work, especially around contract management and Value for Money in the ongoing Capital programme, and the reasons for the decision to defer or cancel work. Officers agreed that this would be useful and would provide information to the Committee about areas of work which were being engaged but were not undergoing a full Audit at the present time, or had been broken down into more focussed areas of work.

The Committee acknowledged that there was no question that the Council always seeks Value for Money, but that this was not the same as having assurance on this topic.

Decision

1. To receive a detailed report on the Peer Review conducted by Liverpool City Council and the response of Manchester City Council Internal Audit.
2. To receive a report from the relevant Executive Member and Director about the recommendations and actions taken to improve contract management and governance.
3. To receive a report on the recommendations of Internal Audit to improve the Council's contract creation and formalisation processes.
4. To recommend that the language used in reports accurately reflects the level of oversight that the Audit Committee has.
5. To recommend as standard that the report contains a trend analysis of identified issues.

AC/17/26 Draft Annual Governance Statement 2016/17

The report was presented by the Performance Manager - Place and Core. This report contained the draft 2016/17 Annual Governance Statement (AGS) which had been produced following completion of the annual review of the Council's governance arrangements and systems of internal control. The processes followed to produce the AGS were outlined in the report, including improvements made this year. Related activity to promote better understanding and transparency in relation to governance arrangements, both within the Council and for the public is also described.

The Committee expressed satisfaction with the information contained in the report, and acknowledged that the report had improved year on year, both in its format and the information provided about how Governance is managed through the action plan.

The Committee did express concern at the Governance Challenge relating to changes in the local government finance system and delivery of continued significant savings, given the state of difficulty of Central Government at the present time. The City Treasurer acknowledged that delays to the Local Government Finance Bill had led to increased uncertainty that would need to be robustly addressed as part of the overall Budget process.

The Committee also requested more detail in the report about Corporate Complaints, and were assured that this information could be supplied, but was also available as a link within the report.

The Committee requested assurance that issues mentioned in the report were being correctly reported to the Resources and Governance Scrutiny Committee. These issues included the move from the Sharp Data Centre and changes to Data Protection legislation. Officers confirmed that they would ensure that these issues had been correctly reported to the Resources and Governance Scrutiny Committee, and that they would provide an update to Audit Committee in due course.

The Committee also clarified the reporting process for Budget management and savings through the Budget process and the production of the Revenue Outturn report. These reports are provided to Executive and all Councillors and provides information about areas of overspend and underspend both within Directorates and across the organisation as a whole.

Decision

1. To recommend that the Annual Governance Statement includes more information on Corporate Complaints and a link to the Annual Corporate Complaints report.

AC/17/27 Governance Improvement Progress for Partnerships with Medium or High Risk Assessment ratings

The report was presented by the Performance Manager - Place and Core. The report provided an update on progress made to strengthen governance arrangements in the eight partnerships where a medium or high Partnership Governance Risk Assessment was recorded in the 2016 Register of Significant Partnerships, as requested by the committee in December 2016.

The Committee expressed satisfaction with the report and thanked Officers for the comprehensive nature of the information provided.

Decision

1. To note the report.

AC/17/28 Partnership Governance Improvement: Manchester Safeguarding Children's Board

The report was presented by the Director of Children's Services. In a report to Audit Committee in December 2016, the Council's Partnership Governance Register reported that the risk rating for the Manchester Safeguarding Children's Board ("MSCB") as "High". The report provided an update on key actions taken to strengthen the governance of the MSCB over the last six months.

The Committee recognised the good progress that has been made, and welcomed the new links between the Manchester Safeguarding Adults Board and the Manchester Safeguarding Children's Board in that the same person is now Chair both Boards. The Committee recognised that there is considerable overlap of areas that the Boards would be concerned about, and the expertise used to address the concerns. The Committee also acknowledged that both Boards would be strengthened by having the same person as Chair.

The Committee also welcomed the new robust structure that was detailed in the report, and were of the opinion that this would create a more effective structure to deal with live incidents and prevent as far as possible issues arising in the future.

Decision

1. The recommend that the Chair of the Audit Committee write to the Independent Chair of Manchester Safeguarding Children and Adults Boards thanking her for the progress made to strengthen the governance of both Boards

AC/17/29 Internal Audit Plan 2017/18

The committee agreed to defer this item to the next meeting of the Audit Committee.

Decision

1. To defer the matter to the meeting of Audit Committee on 27 June 2017.

AC/17/30 Treasury Management Annual Report 2016-17

This report was presented by the City Treasurer and provided an update of the Treasury Management activities of the Council during the financial year 2016-17.

The Committee welcomed the report and were satisfied that it contained comprehensive information which provided comparative data for both Manchester and other Core Cities, and the position for Manchester year on year.

The Committee asked when the Combined Authority would receive it's own borrowing powers, and the City Treasurer confirmed that this formed part of the provisions of the delayed Local Government Finance Bill, and that the Bill would need to be implemented to provide these powers. It was not possible to determine when this would take place.

Decision

1. To note the report.

AC/17/30 External Audit Update report.

The Committee considered the update report of the external auditors, Grant Thornton.

The Committee were told that the objection to the Lender Option Borrower Option (LOBO) portfolio should have a final decision issued in the next week. The Committee welcomed the fact that this issue was very close to resolution. Grant Thornton confirmed that a further update on this issue and the final outcome would be provided to the meeting of Audit Committee on 31 August 2017. In the interim period the Decision Notice would be provided to the City treasurer, who will ensure that this is also shared with members of the Committee.

Decision

1. To recommend that the City Treasurer provide members of the Committee with the LOBO Decision Notice when it is issued.

AC/17/31 Response letters from management and the Audit Committee Chair.

The City Treasurer presented the report. This report provided the draft responses proposed to be issued to the External Auditor from the City Treasurer (appendix A) and the Audit Committee Chair (appendix B) for the audit of the 2016/17 accounts.

Decision

1. To note the report.

AC/17/32 Grant Thornton 2017/18 fee letter.

The Grant Thornton fee letter informed the Committee of the planned fee for the 2017-18 audit work that will be undertaken by Grant Thornton. The fee for 2017-18 has been set by the PSAA and is at the same level as was set for the previous year.

The fee for work around the Housing benefit Claims has not yet been set, and Grant Thornton confirmed that they will notify the Audit Committee as soon as the fee is set by the PSAA.

Decision

1. To note the report

AC/17/32 Anti-Money Laundering Policy

The Head of Internal Audit and Risk Management presented the report which provided the revised draft version of the revised Council Anti-Money Laundering Policy. This policy was presented to Audit Committee in January 2017 where Members requested the content be reviewed and revised for clarity. This revised policy brings together the previous policy and procedures into a single document.

The Committee queried whether the reference to EU regulations and the Money Laundering Directives would stand or be changed as a result of the UK leaving the EU.

Officers confirmed that they will continue to follow the directives until such time as they are advised otherwise, depending on legislation that central Government will introduce in this regard. In the interim period, Officers confirmed that the current legislation still stands and the Policy reflects this.

The Committee were satisfied with the revised format, and welcomed the ease of reading with definitions included.

Decision

1. To approve the revised Anti-Money Laundering Policy.

AC/17/33 Child Protection Visit Performance

The Head of Internal Audit and Risk Management presented the report which provided details of actions taken to report an error in the January 2017 Internal Audit Assurance report and assurance for Audit Committee over performance in Child Protection Visits.

Officers confirmed that the discrepancy arose as a result of visits that were carried out but had not been correctly recorded as opposed to not taking place at all. The Committee were reassured that this issue had now been clarified and welcomed the improved visit figures as a significant improvement.

Decision

1. To note the report
2. To welcome the improvement as evidenced in the report.

AC/17/34 Work Programme and Recommendations Monitor

The Committee considered the Work Programme and Recommendations Monitor.

Decision

1. To note both the Work Programme and Recommendations Monitor.