

Audit Committee

Minutes of the meeting held on 5 October 2017

Present:

Councillor Watson - In the Chair
Councillors Ahmed Ali, Andrews, Lanchbury, Ollerhead and Siddiqi and

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

Councillor Flanagan, Executive Member for Finance and Human Resources

Also Present:

Mark Heap, Grant Thornton
Stephen Nixon, Grant Thornton

Apologies: Councillor Russell

AC/17/51 Appointment of Chair

Councillor Watson was appointed Chair for the duration of the meeting in the absence of Councillor Russell.

AC/17/52 Minutes

Decision

To agree that the minutes of the meeting held on 31 August 2017 are a correct record.

AC/17/53 Review of Internal Audit and Findings of Peer Review

The Committee received a report of the City Treasurer and the Head of Audit and Risk Management which presented the findings of the 2016/17 review of the Council's System of Internal Audit. The Head of Audit and Risk Management introduced the report, which included the findings of the review of effectiveness of Internal Audit, a peer review undertaken by audit officers from Liverpool City Council, and an update on the internal audit service development programme. In addition approval was sought for an Internal Audit Charter which provided a terms of reference for the operation of the Council's audit service.

The meeting was informed that the audit service had been determined to be effective in accordance with the External Quality Assessment.

The question was asked how the decision to use Liverpool City Council was made and had the review findings identified any unexpected issues.

It was noted that this had been done as part of an agreement across other core cities

in accordance with a standardised process. There were no unexpected findings highlighted from the review relating to the core issues reviewed, although reference was made to consider the inclusion of Freedom of Information Act notices on reports.

Dr Barker made reference the role of Audit Committee as part of the review and asked if there was a method to assess the effectiveness of the Audit Committee. The Head of Audit and Risk Management explained that the report reflected the assessment of the City Treasurer and himself in respect of what constitutes an effective Audit Committee. It was explained that this would include issues such as the makeup of the committee, the breadth and depth of reporting and the level of challenge being made to officers. More consideration would be given to explaining this process in the next review.

The Chair invited the external auditor to comment on this and it was explained that there were methodologies to assess effectiveness of the Audit Committee. These had been referred to in paragraph 3.18 of the report submitted.

Councillor Ali referred to the training and development of staff and asked if there was a requirement for further development.

The Head of Audit and Risk Management reported that all audit staff were professionally qualified or in the process of studying to be as well as undertaking Continuing Professional Development. He acknowledged that there may be benefit in capturing all the training and development requirements of professional bodies and the Council in one place as was suggested in the peer review.

The Chair referred to the proposed Audit of Corporate Risk Management Arrangements scheduled for start in 2018 and asked if it was reasonable to leave the start of the audit until then. Also the performance standards and the communication of engagements results and requested further information on this.

The Head of Audit and Risk Management explained that the reason for the timing of the audit was to integrate this work into the 2018/19 audit plan which will propose that audit formally assess risk management at corporate and directorate level.. The timing for the start of the audit could be brought forward if required. With regard to engagement results the reports were clear who they would be forwarded to but consideration would be given to the format of the reports and consideration given to referring to the Freedom of Information Act in reports.

The Chair welcomed the report and thanked the Head of Audit and Risk Management for the work being done by the Audit Team.

The Chair recommended that the Audit Committee undertake a self-assessment and requested that the Council's external auditors in consultation with the Head of Audit and Risk Management report back to the next meeting of the committee on how this could be undertaken.

Decisions

1. To endorse the level of assurance provided by the review of effectiveness and the management actions agreed in response to the areas identified for development.
2. To note the proposals emerging from the service development programme and that these will be reflected in the 2018/19 audit plan and 2018/19 review of effectiveness of internal audit.
3. To approve the Internal Audit Charter.
4. To ask the Council's external auditors to consult with the Head of Audit and Risk Management on a process of self-assessment for the Audit Committee and report back to the next meeting of the Committee on how this would be implemented.

AC/17/54 Progress on ICT Disaster Recovery through the Data Centre Strategy Programme

The Committee received the report of Chief Information Officer that provided an update on progress made since 6 October 2016 and the work undertaken to date in order to achieve a Disaster Recovery capability. An outline on the strategy and approach to the programme was given.

The Chair invited questions from the Committee.

Mr Downs asked what the proposals were for moving from the Sharp data centre.

It was reported that the use of the Sharp data centre was seen as a 'staging post' facility. The move away from Sharp would take place in September 2018 and would result in revenue savings for the Council. The new arrangements would involve a three year contract, with possible extensions, with a new data centre service provider and a new data storage location.

Councillor Flanagan provided background to the decision to relocate from the previous data centre at Daisy Mill to the Sharp facility.

Councillor Ali asked if there was sufficient resources to run and manage the facility.

It was reported that the proposed facility was externally managed and resourced. The arrangement with the provider was based on outcomes. The provider would be responsible, in the event of the loss of one facility, to provide alternative provision at the second facility. It was noted that the Council does not currently have the option of this second facility. The provider provides a segregated facility to other external clients at the facility.

The Chair asked if the facilities referred to in the report needed to be located within the City and did they need to be connected.

It was reported that the primary and secondary data centre facilities were located

within the Greater Manchester area at least two miles apart and would be line connected. The distance separating the two locations would greatly reduce the risk of loss of data at both facilities.

Councillor Lanchbury questioned the length of time it would take for the secondary recovery facility to take over in the event of the primary facility becoming non-functional.

It was reported that the recovery time from one facility to the other would be 15 minutes.

The Committee were satisfied that the proposed arrangements provided assurance that in the event of disaster the Council would have arrangements in place to ensure recovery of stored data.

Decisions

1. To note the contents of the report.
2. To endorse the progress made in addressing the Disaster Recovery risk to the Council through the delivery of a Disaster Recovery capability that is anticipated to be live in September 2018.
3. To note that the programme of work to deliver the Disaster Recovery capability will be governed and reported to the ICT Board, Strategic Management Team and Resources and Governance Scrutiny Committee on a regular basis and the Senior Management Team.
4. To note that a further progress report will be submitted to the Audit Committee within 6 months

AC/17/55 ICT Out of Hours Provision

The Committee received the report from the Chief Information Officer and Interim Head of Service Operations (ICT) which explained that following the internal audit on ICT incident management in 2016, it was recommended that ICT review and formalise the department's out of hours staffing arrangements. The review covered working provisions in terms of cover, expectations, terms and conditions and any additional payments. The report provided details of the action that has been taken progress made so far.

Councillor Ollerhead referred to cyberattacks that had been made against the Council and asked whether ICT staff were called in specifically when a cyberattack took place. Also, were staff called in following an attack on other large public organisations and were the number of cyberattacks likely rise?

It was reported that the approach to threats taken by ICT was both proactive and reactive. All intelligence and information received was taken seriously resulting in proactive measures to address any identified and specific threats. Educating all users

on safe working practices and adherence to the Councils own strategy and 'golden rules' was important in preventing attacks. Training was ongoing based on third party input with the view that threats will not stop and would be varied. ICT staff were on alert during the NHS cyberattack and offered to help NHS colleagues. ICT staff can also work remotely and can monitor systems without being in the building but had been on site at the time.

Councillor Lanchbury referred to the discussions that would take place with trade unions regarding ICT staff providing cover on systems during the night and commented that the payment arrangements and terms and conditions would need to reflect the role of staff that were stationed within the Town Hall or those working 'on call'.

The Interim Head of Service Operations reported that ICT staff acting on 'standby' basis would be mobilised based on the category of the incident received. The decision to mobilise standby teams would be taken by the Duty Problem Manager based on their assessment of the incident.

Councillor Andrews referred to consultations with trade unions and the timeline in the report which referred to these taking place in February and March 2018. Officers were asked if any initial soundings had been taken from trades unions on changes to staff contracts of employment and what had the response been.

It was reported that initial meetings had taken place with trades unions to discuss changes to terms and conditions of staff. The feedback received indicated that the trades unions were in favour of formalising changes to contracts. Further discussions had been requested on remuneration arrangements for the staff concerned to make sure they were standardised and those employees expected to provide the service would receive explanation on the expectations of the role. It was not thought that the discussions had damaged relations with employees or trades unions.

Councillor Ali asked officers if the ICT staff involved in the proposals had been consulted on proposals in advance of the report.

The meeting was informed that the employees concerned had been consulted and were currently providing the service on a goodwill basis. The formalising of the service in contracts and the explanation of service level expectations was ongoing. In addition the new working arrangements would need to adhere to European Working Time Directive legislation to ensure staff safety.

Dr Barker made reference to the mitigation of risks and threats from cyberattack and asked if other ways had been considered in providing cover to address threats such as third party organisations in view of budget constraints.

It was reported that the market had been tested on service provision from external organisations and research undertaken on best practice in dealing with cyberattack threats.

The Chair indicated that the report provided assurance that work is ongoing to provide the Council with a more formalised approach for out-of-hours cover for ICT.

In addition it was suggested that the Resources and Governance Scrutiny Committee could consider the processes used during the consultation with staff.

Decisions

1. To note the report.
2. To confirm that following consideration of the report and the questions to officers the Committee was assured that the audit recommendations to formalise out-of-hours ICT provision was now being acted upon.
3. To recommend that the Resources and Governance Scrutiny Committee consider investigation of the HR processes used to consult with ICT staff members affected by the proposals.

AC/17/56 Delivery of Budget Savings – Governance Arrangements

The Committee received the report of the City Treasurer, which provided detail on the governance and the process for the delivery of approved financial savings and the progress made to date.

The Chair referred to paragraph 3.4 of the report submitted and asked whether the financial plan for Adult Social Care and the move towards integration with Health spend was being monitored elsewhere.

The City Treasurer reported that the Health and Social Care savings were overseen within the new integrated commissioning arrangements in place. Manchester Health and Social Care Commissioning Executive receive regular updates progress on savings and a sub-group underpinning this and look at the Council proposals. Also during the transition year there is a governance process involving a Senior Leadership Team sub-group and regular updates and budget meetings with the Executive Member for Finance.

Councillor Ali asked if there was a contingency plan in the event of the plan not working during the transition process.

It was reported that there was a commitment to a single health and social care commissioning arrangement. If this was not possible then alternative proposals would be considered.

The Chair referred to the current process being undertaken. In view of the current pressures were there alternative options being put forward and how were these options mitigated, reported, communicated and agreed.

Councillor Flanagan reported that monthly reviews were ongoing to identify budget issues earlier in the year to allow officers to react to financial pressures and suggest investments to mitigate future budget pressures. The governance process had changed to allow options for change to be discussed and considered.

The Committee were satisfied that there is a robust system of governance on monitoring budget for approved savings in place.

Decision

To note the report and the system of governance to monitor savings delivery.

AC/17/57 Update on Delivery of the External Audit Plan

The Committee received a verbal update from the Council's external auditor. An unqualified opinion had been on the 2016/17 Whole of Government Accounts audit following its completion. There was some certification work outstanding relating to the housing benefits grant claim. The deadline for completion of this is 30 November 2017.

Decision

To note the report.

AC/17/58 Work Programme and Recommendations Monitor

The Committee considered the Work Programme and Recommendations Monitor.

Reference was made to the outstanding audit recommendations item and the proposal that the report would be submitted at the end of each quarter.

Discussion took place on the process for audit recommendations to be submitted to the Committee and the delay in responses from the departments concerned. Reference was made to two outstanding issues relating to Children's Services that had been outstanding for 9 months with the request that they be added to the agenda for the next meeting.

In response the Chair proposed that the process of outstanding audit recommendations and the work programme would be considered by the Chair, the City Treasurer and Head of Audit and Risk Management to respond to concerns on delays.

Decisions

1. To note both the Work Programme and Recommendations Monitor.
2. That the Chair, City Treasurer and Head of Audit and Risk Management consider options for the timely reporting of audit recommendations and provision of updates by Directors and Executive Members.