

Audit Committee

Minutes of the meeting held on 25 January 2018

Present:

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

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/18/01 Appointment of Chair

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

AC/18/02 Minutes

Decision

To agree that the minutes of the meeting held on 30 November 2017 are a correct record.

AC/18/03 Register of Significant Partnerships

The Committee received a report of the Deputy City Treasurer which provided details of the 2017 Register of Significant Partnerships. The report focused on the significant partnerships added to the Register during 2017, these included partnerships where a risk had changed, or where the risk rating remained "Medium" or "High" following a self-assessment process carried out during 2017. A copy of the latest Register was appended to the report. The Committee noted that the Register is reviewed annually to provide assurance that the governance arrangements in place are robust and to identify potential challenges and introduce improvements.

The Chair invited questions.

Councillor Andrews referred to the paragraph 3.7 of the report regarding the proposed governance arrangements for the Local Care Organisation (LCO) Board. Officers were asked that in view of the significance of the LCO, would the Audit Committee be included in the reporting process to allow consideration to be given to the governance arrangements and risk register before the legally binding agreement

was completed.

The City Treasurer informed the meeting that reporting timescale had yet to be agreed between the Council and the NHS partners. The City Treasurer undertook report back to the Chair of Audit Committee on a process for reviewing the Risk Register before the next meeting of the Committee.

Councillor Ollerhead referred to proposals within the report to change the risk ratings of partnerships from the ratings set in the previous year. The changes related to the partnerships with the Manchester Safeguarding Children's Board (MSCB) and SHOUT Tenant Management Organisation (TMO). Councillor Ollerhead noted significant progress made through the MSCB plan since the Ofsted inspection of Children's Services in 2014 and the improvements made to strengthen governance arrangements. Councillor Ollerhead also noted also the improvements made to the governance arrangements of SHOUT TMO, including the appointment of new Board members and a new Chair with ongoing input and support from the Council to further develop the organisation. Councillor Ollerhead stated that in view of the improvements he still had grave concerns about reducing the risk rating of both partnerships and believed that further work was needed to achieve the level of assurance necessary to reduce the current rating from "high" to "medium" risk.

The Committee was informed that the proposal to change the risk rating of the MSCB partnership from high to medium had been based on the improvements made since the Ofsted inspection in 2014. The significant improvements and support measures introduced had been overseen through strengthened governance processes, with 31 of the 35 actions detailed in the original Improvement Plan being completed. The proposed change to the risk rating of the partnership with SHOUT TMO was based on changes made to strengthen the governance arrangements of the organisation.

The initial high risk rating was given initially as part of the review to understand the systems and processes in place at the time and as a consequence of changes to the housing management team. The SHOUT TMO currently managed 100 properties within Harpurhey. Work to introduce strengthened governance arrangements and to train and develop board members understanding of their roles was ongoing and the Council will continue to attend the SHOUT Board meetings and provide advice as necessary.

The Head of Internal Audit and Risk Management reported that in response to concerns raised by Councillor Ollerhead regarding SHOUT TMO, officers from Internal Audit had been working with housing officers to gain assurance and understanding that the complaints referred to have been addressed. A meeting would take place to review the background and outcome of the complaints and the findings would be used to inform the partnership risk assessment regarding SHOUT TMO. Councillor Ollerhead would be provided with an update on the outcome of the findings.

Councillor Lanchbury referred to the ongoing Inquiry into the Grenfell Tower fire and in particular the TMO involved and sought assurance that officers were monitoring the inquiry for any findings that impact TMO arrangements with a view to replicating them within the Council's TMO existing partnerships.

The Committee was informed that a further update report on the two TMOs would be submitted to the meeting in July 2018 and would include any specific findings from the Grenfell Tower fire inquiry.

Councillor Lanchbury referred to instances where a partnership has been identified as ready for removal (Enterprise and Manchester Cultural Partnership) or for anticipated downgrading (Hulme High Street) and asked officers whether the Partnership Register is updated during the year to reflect these changes.

It was reported that the partnerships within the register proposed for removal would be removed from the register for the following year. An update report would be submitted in July 2018 that would include further information regarding Hulme High Street.

Dr Barker made the point that the high risk partnership rating given to Hulme High Street did not match the definition of the rating and asked officers if there was confidence that the objective described within the report would be met.

Officers undertook to include further information on the risk rating given to Hulme High Street within the update report to be submitted in July.

The Committee agreed that a further report was required to provide more detailed information and explanation regarding the points raised on the significant partnerships with:-

Local Care Organisation – further information on governance arrangements and risk register in advance of the completion and agreement of the legally binding agreement.

Manchester Children's Safeguarding Board – further information regarding the risk rating of the partnership in view of the concerns expressed.

SHOUT Tenant Management Organisation – further information regarding the risk rating of the partnership in view of the concerns expressed, including reference to a complaint made by Councillor Ollerhead about the TMO.

Decisions

1. To note the latest update of the Council's Register of Significant Partnerships.
2. To request the City Treasurer to submit an information report to the meeting of the committee on 22 March 2018 regarding the significant partnerships with:
 - Local Care Organisation
 - Manchester Children's Safeguarding Board
 - SHOUT Tenant Management Organisation

AC/18/04 Audit Escalation and Risk Review Process

The Committee received the report of the City Treasurer and Head of Audit and Risk

Management which set out the proposed framework for oversight of actions being taken and criteria that determine when Strategic Directors and Executive Members will be required to attend the Audit Committee to provide formal updates, explanations and assurance.

The Audit Committee has sought assurance in a number of areas over the previous twelve months with regard to management action to address issues and risks reported through the work of internal and external audit. The Committee's approach has been beneficial and has helped to reinforce the importance of timely action being taken to address risks identified.

The Chair invited questions.

Mr Downs welcomed the report and sought further clarification on the 9 month cut-off point for the non-implementation of recommendations and whether a trigger date took into account the date of the next scheduled Audit Committee. Mr Downs also referred to the change of risk definitions and asked if the term "Moderate" had replaced "Reasonable".

The Committee was informed that further details would be produced regarding the 9 month cut-off point for action to be taken on recommendations. The process would take into account the likely date of the Audit Committee. The change of the definition term to "Reasonable" was a word change and had been introduced as part of an approach to reduce confusion and to standardise definitions and processes within the Council and other authorities. Any further changes to processes would be notified to the Committee.

The Chair asked officers to provide an explanation on the way agreement is reached on "high", "medium" and "low" organisational impacts. The Chair also asked Councillor Flanagan to respond regarding the impact of the new process on the work of Executive Members and was this was beneficial.

The Committee was informed that the process of classification of Organisational Impact is determined following the individual assessment of a scheme by Internal Audit. The definitions of low, medium and high organisational impacts had been considered and descriptions were set out within Appendix 1 of the report. Members of the Audit Committee would be consulted on the determination of the organisational impacts.

Councillor Flanagan informed the meeting that the changes proposed within the new framework would benefit the work of Executive Members by raising awareness sooner of issues within their area of responsibility.

The Chair suggested the inclusion of organisational impact within the training and development programme for new and existing committee members in the next Municipal Year.

The Chair welcomed the report and the assurance it provided as an effective tool for Executive Members, Internal Audit and Senior Management in addressing issues and risk and for the timely implementation of recommendations.

Decisions

1. To confirm the proposed approach to audit escalation and review of issues and risks arising from audit reports and outstanding audit recommendations. In particular that:
 - A response to all no assurance and high impact / limited assurance reports issued by Internal Audit is provided to Audit Committee by the relevant Strategic Director and Executive Member.
 - A response to all high priority audit recommendations not implemented within 9 months of the due date is provided to Audit Committee by the relevant Strategic Director and Executive Member.
 - Audit Committee retains the discretion to request assurance on issues arising and responses to all other audit opinion reports.
2. To note and accept the offer of Internal Audit to consult with Councillors during the consideration of organisational impact issues resulting from frontline activity within wards.
3. To request officers to include the issue of Organisational Impact within the Audit Committee training and development programme for new and existing committee members in the next Municipal Year.

AC/18/05 Internal Audit Assurance Report

The Committee received the report from the City Treasurer and Head of Audit and Risk Management which provided a summary of the annual programme of audit work undertaken and the opinions issued for the period April to December 2017.

The Chair invited questions.

Councillor Lanchbury referred to the transition of child service users between Children and Families to Adult Services and sought assurance, as a Corporate Parent, that the approach to care arrangements for looked after children and a non-looked after children would be acknowledged within reports.

The Head of Audit and Risk Management reported that there had been an ongoing audit of the transition process and this would be included within the scope of the audit process. It was explained that Audit staff would have the understanding to recognise the distinctions, requirements and expectations of looked after children and other children under the care of Children's Services.

Councillor Lanchbury referred to Data Governance arrangements within schools and asked officers whether assurance could be provided for academies or free schools that are not under the governance of the Local Education Authority (LEA).

The Head of Audit and Risk Management reported that unless an internal audit

service was purchased from the Council it would not be possible to provide assurance on academies.

Councillor Andrews asked officers if there were arrangements in place to inform the Council of audit findings for academies and free schools or to confirm that audits were taking place.

The Strategic Director of Children and Commissioning Services informed the meeting that voluntary LEA representatives sit on the Board of Governors for a number of academies and free schools. As part of a quality assurance arrangement to monitor progress of a school, the Council also receives audit report findings. This provides the Council with a level of assurance on the performance of schools across the city. The information received is also used as part of the termly annual visits made to academies and free schools.

The Chair referred to paragraph 2.10 of the report and sought assurance that the Audit Committee would be informed of the 2018/19 audit planning process for Manchester Health and Social Care Commissioning (MHCC) and the Local Care Organisation (LCO). The Chair also asked for further information relating to the Homecare audit and the issues that exist regarding the contract management and operation and in view of the relationship there will be with the Local Care Organisation.

The Head of Audit and Risk Management confirmed that a report would be submitted to the Audit Committee on 22 March 2018 detailing the MHCC and LCO audit planning process for 2018/19. The issues relating to Homecare had been included to raise awareness of risks and issues that had been identified and further details would be presented within the final report to the next Audit Committee meeting.

Decisions

1. To note the report submitted.
2. To note the comments raised, in particular, the concern raised regarding issues linked to the Local Care Organisation.

AC/18/06 Outstanding Audit Recommendations

The Committee received the report of City Treasurer and Head of Audit and Risk Management which provided a summary of the current process, position and arrangements for monitoring and reporting internal and external audit recommendations.

An addendum to the report was also submitted on the North West Foster Care Framework. The Strategic Director of Children and Commissioning Services attended the meeting to introduce the report and to explain the measures introduced in order to carry out the implementation of the two outstanding recommendations and the current position.

The Chair reported that the Executive Member (with responsibility for Children's Services) was unable to attend the meeting.

The Chair invited questions.

Mr Downs referred to the recovered overpayment of the £90,000 for foster care placements and asked how long had this situation existed and was there any evidence to suggest that the Council had been overcharged. Also, going forward what systems were in place to prevent overpayment or underpayments for placements happening again.

It was reported that the £90,000 related to reclaimed discounts that were included within contracts relating to the length of time of a foster placement and arrangements for the placing of sibling groups. A closer working arrangement had been introduced between Children's Services Placements Team and Contracts Team and finance officers to ensure that cross referencing between the teams records to prevent overpayment. Officers confirmed the overpayment was due to the complexity of the arrangements of placements and there was no evidence to suggest that the Council had been overcharged.

Councillor Lanchbury referred to the work undertaken to check the contract and payment arrangements and asked if similar checks had been made by any of the twenty three local authorities involved in the contract and, if so, had this had a knock-on effect on the current contract.

It was reported that no information was available to indicate that similar checks had been undertaken by other local authorities involved.

Councillor Simcock asked how many agencies were involved within the contract for placement of the 438 looked after children and were systems in place measure and maintain the standard of quality provided by the fostering agencies.

The Committee was informed that there are 48 independent fostering agencies within the contract with up to five agencies used regularly. Work was ongoing to build relationships with providers and agree a new contract which would be introduced later in the year with improved contract monitoring and financial discounting arrangements.

Councillor Simcock referred to long standing contracts and staff turnover within Children's Services and asked officers if this could have contributed to a reduced focus on financial arrangements of the contract.

It was reported that the issues identified were not related the staff levels but as a result of the systems and processes that were in place at the time. The Internal Audit service was asked to challenge the systems and process to introduce good practice so the chances of the situation being repeated would be minimised.

The Chair expressed satisfaction with the assurance given through the report and thanked Officers for the information provided and responses to questioning.

Decision

1. To note the current process and position in respect of high priority Internal Audit recommendations.
2. To note the update on progress and ongoing work to implement the Audit recommendations regarding the North West Foster Care Framework.

AC/18/07 Improving Contract Management and Governance

The Committee received a report from the City Treasurer which provided an update on progress being made to improve contract management within the Council. The report outlined the current situation, the principal areas for improvement, progress to date and future priorities.

The Chair invited questions.

In welcoming the report members asked the Head of Integrated Commissioning to explain what work had been done to introduce a dashboard system for the monitoring of Key Performance Indicators (KPI) within contracts with the council. Reference was also made to the weaknesses identified within the current contract management arrangements across the Council which varied and were not supported by a an ICT contract management system

The Committee was informed that work was ongoing to introduce a model KPI dashboard which had been designed in conjunction with contract officers. A system was currently being tested and used which provided KPI information for individual contracts and included a summary facility. Once the system was finalised and fit for purpose a report would be submitted to the Committee. With regard to an ICT contract management system it was reported that data was currently received by individual directorate systems and was not presented in a generic format. A proposal to develop and introduce a contract management system was in place with the Council's ICT section, which when completed will enable standardised data to be recorded across the council.

The Chair commented that there were concerns on the lack of details regarding the number of contracts in place and the value involved and the lack of information and poor oversight of contracts at a strategic level.

It was reported that work was ongoing to help identify ownership of individual contracts. There were many contracts currently in place and based on the data available an estimate was made on the worth of the contracts. A register of all the contracts could be in place within the six months. Details of place with spend data and the officers involved in their overview would be part of the development of a comprehensive contract management system.

The Chair endorsed the comments made and welcomed the work to introduce a council wide system of contract management and governance and requested that the process be reported to the Audit Committee on a regular basis.

Decisions

1. To note the assessment of areas for improvement and proposed actions to deliver a Contract Management Improvement Plan.
2. To request that a progress report is submitted in six months on the development and introduction of a Contract Management Improvement Plan and that this is followed by regular reports to the Audit Committee.
3. To request that a requirement is included within the terms of contract agreements with the Council for the contract service provider to produce and submit Key Performance Indicator data that can be recorded and used as part of the analysis of the contract.
4. To request that an accessible dashboard is developed and introduced to enable elected members to monitor the Key Performance Indicator data on Council contracts.

AC/18/08 Audit Update Report

The Committee received a verbal report from the Council's External Auditors.

I was reported that an interim visit would take place during March 2018 as part of the plan for a Local Audit and the details of an Audit Plan would be reported to the next meeting of the Committee.

An external audit had taken place on Pooled Capital Receipts and the Manchester Lord Mayor's Charity.

Decisions

To note the information provided.

AC/18/09 Annual Corporate Risk Management Report and Corporate Risk Register

The Committee received a report from City Treasurer and Head of Audit and Risk Management that presented the most recent iterations of the Risk Management Strategy and the Corporate Risk Register.

The Committee noted that the Risk Management Strategy and the Corporate Risk Register are both refreshed and submitted annually to the Audit Committee for information and comment.

The Chair invited questions.

Councillor Lanchbury referred to the Risk 3 - Council Statutory and Legal Duties (Data and Information Governance) - Appointment of a Data Protection Officer and

asked if the role was difficult to appoint to and did a delay in not appointing to the position present risk issues in not complying with General Data Protection Regulations (GDPR) to data protection.

It was reported that a Data Protection Officer appointment is included within the GDPR and the process of recruitment was ongoing. Due to the sought after nature of the role it was important to ensure the best person was appointed. The Committee was informed that the Council was moving forward to comply in a range of areas covered by the regulations.

Dr Barker referred to compliance with GDPR and sought assurance that there were processes in place to meet the 25 May 2018 deadline in view of the limited time available.

It was reported that, at officer level, the Corporate Information Assurance and Risk Group met every six weeks and reported to the Senior Management Team. Elected members were involved in the process through reporting to Resources and Governance Scrutiny Committee and the Audit Committee.

The Head of Audit and Risk Management undertook to meet with Dr Barker following the meeting and provide information on the process the Council is using to comply with GDPR.

The Committee expressed satisfaction with the assurance provided by the Risk Management Strategy 2018-2020, the Business Continuity Strategy 2018-2020 and the Corporate Risk Register.

Decisions

To note the report submitted and the comments made.

AC/18/10 Work Programme and Recommendations Monitor

The Committee considered the Work Programme and Recommendations Monitor.

The Committee noted that the next meeting of the Committee will take place on 22 March 2018.

Decisions

To note that the Work Programme will be updated for the next meeting of the Audit Committee.