

Audit Committee

Minutes of the meeting held on 11 June 2018

Present:

Councillor Ahmed Ali - In the Chair
Councillors Russell A Simcock Watson

Independent Co-opted member: Mr S Downs
Independent Co-opted member: Dr D Barker

Also Present:

Mark Heap, Grant Thornton
Stephen Nixon, Grant Thornton

Apologies: Councillor Lanchbury

AC/18/23 Appointment of Chair

Councillor Ahmed Ali was appointed Chair for the duration of the meeting.

AC/18/24 Urgent Business

The Chair reported that he had agreed to the submission of an item of urgent business relating to the replacement of the appendix included in the report "Response letters from the City Treasurer and Audit Committee Chair", Minute number AC/18/34.

AC/18/25 Minutes

The minutes of the Audit Committee held on 22 March 2018 were submitted.

The Committee noted that in respect of minute number AC/19/17 Draft Annual Governance Statement, the Annual Governance Statement had been approved and signed by Councillor Watson.

Decision

To agree that the minutes of the meeting held on 22 March 2018 are a correct record.

AC/18/26 Audit Update (External Audit)

The Committee received a verbal report from the Council's External Auditors. It was reported that the draft accounts had been received before the required deadline. The accounts had been examined and there were no issues or concern to be raised. The

detailed findings and opinion report will be submitted to the next meeting of the Committee.

Decision

To note the verbal report received.

AC/18/27 Internal Audit Annual Report

The Committee received the report of the Head of Audit and Risk Management that provided the Committee with confirmation of the completion of work based on the agreed Audit Plan (April 2017 to March 2018). The Head of Audit and Risk Management Annual Assurance Opinion was presented to the Committee in March 2018 and provided a moderate assurance opinion in relation to governance, risk and control. There were no matters raised since those given in March and no new limited or no assurance opinions from those already reported. A report updating the Committee on assurance and recommendations monitoring will be submitted the 31 July 2018 meeting of the committee.

The Chair invited questions from the Committee.

A member referred to the table on page 6 of the report (Critical, Major or Significant Priority Recommendations by Directorate and questioned why Adult Services had not been included. Reference was also made to paragraph 2.4 and officers were asked to provide further detail on the cancellation of the Mental Health Safeguarding audit.

It was reported that the Children and Families Directorate included Adult Services activity. Further detail on Adult Services activity could be provided to the Committee. The audit of Mental Health Safeguarding had been cancelled for the reason that the Audit Team had liaised with officers within Adult Services. Based on those discussions a level of assurance had been given. The Committee were informed that further audit work on mental health services would be undertaken during the year.

A member referred to paragraph 2.4 and the cancelled audit of Contract Management Performance Reporting and asked why the audit was not included in the Annual Audit Plan 2018/19.

It was reported that the 2018/19 Audit Plan did not include a direct reference to Contract Management Performance Reporting. A level of assurance and confidence had been given following discussions between the Audit Team, the Head of Commissioning and the Head of Procurement. The Audit Plan did include a number of contract management and procurement audits and there would be some involvement in contract management performance work as part of the audits. The City Treasurer reported that the outcome of the audit work would be reported to the Audit Committee during the year.

Officers were requested to include the audit of Contract Management Performance and Mental Health Safeguarding be included within the Audit Plan 2018/19 in view of the concerns raised.

The Head of Audit and Risk Management was asked the current status of the report regarding the Multi Agency Safeguarding Hub that was given a status of draft in the report submitted. Reference was also made to Children's Services audits with a status set as final and had been given an advice outcome without an opinion, further information or conclusions being provided. Officers were requested to provide an opinion unless there was specific reasons not to.

Decisions

To note the Internal Audit Annual Report and the comments received.

AC/18/28 Internal Audit Plan 2018/19

The Committee received the report from the City Treasurer and the Head of Internal Audit and Risk Management setting out the Internal Audit Plan 2018/19. The Council has adopted the standards for internal audit set out by the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Plan has been produced following consultation and requests made for audit work from key stakeholders. Reference was made to the total audit resource and the split of the projected number of days across Manchester (2450 days), Greater Manchester Combined Authority (595 days) and Bolton Council (40 days) with a total of 3085 days.

In welcoming the report a member made reference to Appendix 2 of the report and the difficulty in interpreting the Governance, Risk and Control Assurance Map and requested an improved version of the map be provided for the Committee.

It was reported that an amended version of the Appendix would be produced and used as part of the training session that would take place on 2 July and for reference at future meetings.

A member referred to the Audit of Adult Mental Health Safeguarding and requested that a formal Internal Audit opinion be provided to the Committee with a level of assurance position on the service area.

The Head of Internal Audit and Risk Management noted the request.

A member sought clarification in respect of the proposed days allocated in Counter Fraud and Irregularity audit work (30%) and in view of the size of the budget allocation for Children's Services, Adult Services and Corporate Core (70% of the Council's budget). Officers were asked if they considered the allocation of resource was balanced correctly in view of the size of service areas concerned with only a third of audit activity being allocated to them.

The Head of Internal Audit and Risk Management reported that allocations had been made based demand for audit work in the previous Audit Plan. It was considered that the balance was correct, however the position would be monitored to ensure that audit work within other directorates were included.

A question was asked regarding the proportion of time spent on audit work for the

Corporate Core in comparison to the time allocated to Children's Services and Adult Services. The point was made that as both were frontline services compared to Corporate Core services, the impact on the health and wellbeing of those receiving support could be more severe and consideration should be given to allocating additional days.

The Committee was informed that the Corporate Core heading included testing to areas and a number of various other services across the Council.

A member asked if Counter Fraud had become a concern due to the number of days allocated in 2018/19.

It was reported that Counter Fraud was a relatively new area of work that had grown due to the successful outcomes following investigation into areas such as Council Tax and Right-to-Buy with £400,000 being recovered.

Officers were asked to provide further information on the balance of the audit time to be allocated for the Greater Manchester Combined Authority (GMCA) and Bolton Council as part of the overall allocation. Officers were also requested to provide more information regarding the joint Local Care Organisation (LCO) and Manchester Health and Care Commissioning (MHCC) and linkages of the resource allocation strength based approach and Our Manchester.

The Committee was informed that the LCO and MHCC would be included within an assurance framework with Council external colleagues also allocating audit time into the joint venture. Meetings had taken place to determine areas of responsibility of the organisations involved to prevent the duplication of audits and avoid gaps. The Council is responsible for production of the joint assurance plans and reports would be submitted to the Committee to show the range of the audit work involved. The Head of Internal Audit and Risk Management also confirmed the linkages between the resource allocation strength based approach and implementation of Our Manchester. It was noted that the Resource and Governance Scrutiny Committee will consider the health and social care governance arrangements as part of its work programme for the year.

An assurance was given that there would be additional resources within the Manchester Plan to ensure that work provided for the GMCA and Bolton MBC would not impact on council audit work. The Committee was informed that a collaborative approach would be taken on the working arrangements for audits across the three organisations and this would be brought to the Committee for consideration.

A member suggested that a joint meeting with Health Audit Committee should be arranged to promote a collaborative approach to audit.

The Head of Internal Audit and Risk Management noted the request and undertook to invite the chair of the Health Audit Committee to a meeting of the Audit Committee.

Reference was made to the audit risk register and the Councils corporate risk register with a view to bringing the two registers together. The Committee was informed that this would be included within the members training session.

Decisions

1. To agree the Annual Internal Audit Plan for 2018/2019.
2. To note the comments raised.

AC/18/29 Annual Statement of Accounts 2017/18

The Committee received the report of City Treasurer presenting the 2017/18 Annual Account for the Council which have been signed by the City Treasurer.

The Committee received a presentation from the City Treasurer on the Annual Accounts to support the report submitted.

The Chair invited questions from the Committee.

In noting the report and the net financial position of the Council and overspend in respect of Children's Services, officers were asked if there was any effect on recurrent spending. Also did the collapse of Carillion have an impact on any Private Finance Initiative (PFI) arrangements the Council has in place.

It was reported that there was no impact on PFI arrangements following the collapse of Carillion. The recurrent spending position involved pressure from demands on Children's Services and Adult Services Social Care and the vacancies held in advance of savings targets.

Members referred to data on childhood obesity and asked what plans were in place to address this position. There was a £300,000 underspend within public health spending which may be related and officers were asked what the reason was for this underspend.

The City Treasurer undertook to provide the detail on the identified underspend.

The Committee agreed to refer the issue of childhood obesity to the Children and Young People Scrutiny Committee to consider for inclusion in the Annual Work Programme.

Reference was made to the figure 271 affordable homes within the diagram included in the report and officers were requested to amend the figure which appeared to mislead and did not take into account other existing affordable properties that may become available. Officers undertook to amend the figure accordingly to reflect the availability of other affordable properties.

Officers were asked to explain the increase in exit packages for staff from schools. The Committee were informed that there had been 201 departures agreed with the majority being teachers and due to the closure of Buglawton Hall.

The Committee thanked officers for their hard work in producing the annual accounts

within the restricted timescale involved.

Decisions

1. To note the audited 2017/18 accounts as signed by the City Treasurer.
2. To thank officers for the work undertaken to produce the Councils Accounts on time in view of the short timescale involved.
3. To agree to refer the issue of public health investment in addressing childhood obesity to the Children and Young People Scrutiny Committee for inclusion on the Annual Work Programme.

AC/18/30 Revenue Budget Outturn Report

The Committee received a report from City Treasurer that provided an outline of the final outturn position on the Revenue Budget for 2017/18.

The Chair invited questions from the Committee.

Reference was made to the number of vacant posts listed in point 45 of the report and officers were asked if there would be an adverse financial impact if the posts were filled.

The Committee was informed that some posts would be filled and others had been identified as part of the planned reduction in posts within the 2018/19 budget. Those post unfilled will be removed from the establishment workforce.

Decisions

To note the report

AC/18/31 Capital Budget Outturn Report

The Committee received a report from the City Treasurer informing the Committee of the outturn of:

- the capital expenditure and financing for 2017/18;
- the major variations between the 2017/18 outturn and the previous monitoring report in February 2018, and
- The commitments to be carried over into the five year Capital Programme 2018/19 to 2022/23.

The Chair invited questions from the Committee.

Reference was made to table 2 of the report and the -£5.2m variation regarding Highways Capital Outturn Programme. Officers were asked what monitoring had taken place during the year on Highways spending and could the funding be spent

during the summer and autumn period rather than the winter period. The Committee were informed that there had been delays in finalising the investment programme and plans were now underway to deliver the proposed works.

Officers were asked to provide a percentage to demonstrate the variation in Capital Outturn spending.

The City Treasurer agreed to include a percentage column in future reports.

Decisions

To note the report and the comments made.

AC/18/320 Treasury Management (Outturn) Report

The Committee received a report from the City Treasurer that set out the Treasury Management Activities of the Council during 2017/18. The report also included activities of the GMCA.

The Chair invited question from the Committee.

Officers were questioned on the decision to use LOBO loans.

The Committee was informed that the decision to use LOBO was based on a lender/borrower option and offered the best interest rate at that time.

Reference was made to Redeemable stock and officers were asked if the remaining outstanding stock would be redeemed.

It was reported that the Council had taken action to redeem the majority of the stock, however the Council has £0.9m of stock that remains unredeemable until such time as the owners decides to sell it. That stock would continue to be held as debt.

Officers were asked to provide detail on the list of approved lenders and whether those included on the list were considered ethical providers.

It was reported that the Council did not have a list ethical lenders. The City Treasurer undertook to take the issue of an Ethical Lending Policy forward with the Chair Resource and Governance Scrutiny Committee (Ethical Procurement Sub-Group) for more detailed consideration. The subject would also be included as part of the members training session.

Decision

To note the report.

AC/18/33 Work Programme and Audit Committee Recommendations Monitor

The Committee considered the Work Programme and Recommendations Monitor.

A member requested that the recommendations monitor should continue to draw matters to the attention of the Executive and list recommendations.

The Committee were informed that updates would include Contract Management and Adult Care Services.

Decision

To note the Work Programme.

AC/18/34 Response Letters from the City Treasurer and Audit Committee Chair

The Committee received a report from the City Treasurer that provided the draft responses proposed to be issued to the External Auditor from the City Treasurer and the Chair of the Audit Committee for the 2017/18 accounts.

The Committee received an amended version of the draft letters that had been agreed as urgent business by the Chair.

The Committee noted that in Councillor Russell's absence, Councillor Watson had been appointed as the Chair at each meeting of the Audit Committee during the year. The Committee was requested to agree that Councillor Watson sign the letter to the External Auditors as the Chair of the Committee.

Decisions

1. To note the report.
2. To agree that Councillor Watson sign the letter to the External Auditors as Chair of the Audit Committee.