

## **Audit Committee**

### **Minutes of the meeting held on 31 July 2018**

#### **Present:**

Councillor Ahmed Ali - In the Chair  
Councillors Connolly, Lanchbury, Russell, A Simcock and Watson

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

#### **Also Present:**

Stephen Nixon, Grant Thornton  
Simon Livesey, Grant Thornton  
Karen Murray, Mazars

**Apologies:** Mark Heap, Grant Thornton

#### **AC/18/35 Urgent Business**

The Chair reported that he had agreed to the submission of an item of urgent business relating to the replacement of the "Audit Findings Report" Minute number AC/18/38.

#### **AC/18/36 Minutes**

The minutes of the Audit Committee held on 11 June 2018 were submitted for approval.

#### **Decision**

To approve the minutes of the meeting held on 11 June 2018 as a correct record subject to the inclusion of Councillor Connolly in the list of those present at the meeting.

#### **AC/18/37 Annual Statement of Accounts 2017/18 and Letter of Representation**

The Committee considered the report of the City Treasurer that summarised the amendments that had been made to the Annual Statement of Accounts following their audit by the Council's External Auditors, Grant Thornton. The report included a copy of the letter of representation from the Council to its External Auditors (Appendix 1 of the report) and the Committee were requested to approve and acknowledge the letter before it was signed by the City Treasurer and Chair of Audit Committee.

The Committee was informed that no changes had been made to the Single Entity accounting statements. The group accounting statements had been amended to reflect the audited accounts of Manchester Airports Holdings Ltd (MAHL) which had not been available when the draft group accounts had been submitted to the Council's external auditors on 31 May. .

The Committee thanked the External Auditors and the Council's Accounts Team for the work they had undertaken in producing the Statement of Accounts for 2017/18 within the revised, earlier timescales.

The Chair invited questions from the Committee.

Members referred to page 21 of the report and officers were requested to refresh the descriptions of individual committee functions to provide further detail. The Chair suggested that the description of Audit Committee functions include the words "and external audit verification".

### **Decisions**

1. To note the amendments made to the annual accounts since they were reported to Audit Committee in June 2018.
2. To approve the revised annual accounts including the accounting policies contained within them.
3. To approve and acknowledge the letter of representation, as detailed within Appendix 1 of the report submitted, which will be signed by the City Treasurer and the Chair of the Committee (Councillor Ahmed Ali).
4. To request officers to refresh the description of the core functions of Council committees, as detailed in Appendix 2 of the report, and include this within the 2018/19 Statement of Accounts.

### **AC/18/38 Audit Findings Report**

The Committee considered the amended report of the Council's External Auditors, Grant Thornton that provided a summary of the key issues arising from the statutory audit of the Council's financial statements for the year ending 31 March 2018.

The Committee was informed that the external audit process did not identify any issues of concern or risk and an unqualified opinion on the Council's accounts would be issued on the accounts. The External Auditor also noted the high quality of the draft accounts and acknowledged the support of the Finance Team in responding to issues raised. It was reported that adjustments had to be made to the group accounts following the receipt of the audited Manchester Airports Holdings Limited accounts but that no issues of concern were raised by the External Auditor. The External Auditor reported that the Value for Money conclusion would be unqualified as the Council had demonstrated proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Committee noted that the External Auditors

had not needed to use any statutory powers and the certificate of completion of the audit would be issued during August 2018 when the audit of the Whole Government Accounts (WGA) return had been finalised.

It was reported that in line with Ethical Standards, Grant Thornton would be replaced by Mazars as the Council's external audit provider having acted in this role for ten years.

The Chair referred to the production of the Audit Findings report and reminded the Council's new external auditors that future reports should conform to the agreed Council's standards for documents and that all text should be Arial font, size 12.

### **Decision**

1. To note the report submitted.
2. To note the comments and questions raised.

### **AC/18/39 Internal Audit Assurance Report**

The Committee considered the report of the City Treasurer and the Head of Internal Audit and Risk Management that provided a summary of internal audit work undertaken and opinions issued in the period April to June 2018.

The Chair invited questions from the Committee.

A committee member referred to the Public Services Network (PSN) (paragraph 6.3 of the report) and asked if there were any issues arising from the Council's Code of Connection submission to the Cabinet Office. Reference was also made to Disclosure and Barring Service (DBS) checks (paragraph 6.4 of the report) and officers were asked if a timescale had been included for the improvement actions identified.

It was reported that no specific concerns had been raised by Cabinet Office in response to the Council's Code of Connection submission. The issue of PSN would be included within the Risk Review Item on ICT Disaster Recovery to be considered by the Committee at the meeting in September 2018. The Committee was informed that on the issue of DBS, substantial progress had been made and agreement had been made by the Senior Management Team that the Director of Human Resources and Organisation Development is now the Council's Lead Counter-signatory. In response to questions raised the Head of Internal Audit and Risk Management undertook to provide members of the committee with a briefing note to explain the functions, roles and responsibilities regarding Council's framework for DBS checks.

A member expressed concern regarding the findings of the Manchester Health and Care Commissioning audit of governance arrangements and asked officers if there would be further work to address the issues raised. Reference was also made to the concerns raised on leases following an audit of Income and Debt Management of the Arndale Market (paragraph 7.2 of the report). Officers were asked to provide more

information to the Committee.

The Committee was informed that there would be follow up audits during 2018/19 on Manchester Health and Care Commissioning that will focus on the Financial Framework and Operational Plan. Further work on governance arrangements of MHCC will take place as part of a broader review of the partnership governance including the flow of information between partners and decision making arrangements. Updates would be provided to the Audit Committee in future reports, including progress on actions taken to respond to audit recommendations.. The issue of lease arrangements arising from the audit of the Arndale Market related to the commercial terms of leases on empty units that present the Council with a financial challenge. The follow up action included reviewing the terms of the unit leases in order to seek to reduce the financial risk to the Council.

A member referred to pothole repairs and the use of jet patching and asked officers to confirm whether jet patching equipment had been purchased by the Council to undertake this work.

(Following the meeting it was confirmed that the Council's Highways Service had engaged two companies to undertake jet patching work within the City. This had been procured and was arranged on a day rate to cover the cost of plant, labour and materials. The Council did not buy any separate plant or equipment for jet patching work.)

A member referred to the levels of assurance and the number of moderate assurance opinions given following audits. Officers were asked when the Internal Audit report would be submitted for consideration to provide an executive summary of audits. It was reported that new styles of audit reports would be produced by the autumn, it was proposed that the reports would include reference to assurances over lower risk areas and that levels of assurance may reduce from 5 to 4 without a 'moderate' category.

A member asked why the Council was providing a Data Protection Officer service for schools in view of the pressures on existing resources and was the Council at risk of legal challenge if a data breach took place.

It was reported that the service provided did not impact on the Manchester audit plan and was designed to be self-funding. The service offered had robust processes and this would help to mitigate the Council's position against legal challenge.

## **Decision**

1. To note the report.
2. To request that a briefing note be provided for members of the committee to explain the functions, roles and responsibilities regarding Disclosure and Barring Service checks.

## **AC/18/40 Outstanding Audit Recommendations**

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

The Audit Committee were invited to consider the level of assurance and information provided in respect of ICT disaster recovery and whether the Chief Information Officer be invited to report to the September Committee meeting on the progress in addressing disaster recovery risks.

The Chair invited questions from the Committee.

Reference was made to the outstanding recommendations concerning the Multi Agency Safeguarding Hub (MASH) (page 20, Appendix 2 of the report). A member expressed concern on the use of dip testing to monitor response times on urgent referrals and requested that the Director of Children's Services attend the meeting of Audit Committee in September to provide an update on the recommendations and respond to members' questions.

With reference to paragraph 3.4 of the report, a member requested that an update on ICT Disaster Recovery also provide further information on the Public Services Network (PSN) and be submitted to the September meeting of the Committee.

Members also requested that a Risk Item report be presented to a future meeting of the Committee in response to concerns expressed relating to the North West Foster Care Framework and the Multi Agency Safeguarding Hub and include details of formal and informal work involved.

### **Decision**

1. To note the report submitted.
2. To note the comments made on the report.
3. To request that a report is submitted to the September meeting of the Audit Committee to provide an update on ICT Disaster Recovery including the three recommendations not taken forward and to provide further information on the Public Services Network (PSN).
4. To request that a Risk Item report be presented to a future meeting of the Audit Committee in response to concerns expressed relating to the North West Foster Care Framework and the Multi Agency Safeguarding Hub and to include details of any formal and informal work involved.

**AC/18/41 Work Programme and Audit Committee Recommendations  
Monitor**

The report of the Governance and Scrutiny Support Unit which contained responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

Members considered that items for consideration at the September meeting of the committee and suggested that items be moved to the October meeting relating to governance issues (Register of Significant Partnerships and Contract Management and Governance).

In noting that a training session had been arranged for the October meeting of the Committee, the City Treasurer undertook to examine the scheduled items within the Work Programme.

**Decision**

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

**AC/18/42 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 outweighs the public interest in disclosing the information.

**AC/18/43 Annual Counter Fraud report (Public Excluded)**

The Committee considered the report of the Head of Internal Audit and Risk Management that provided a summary of the anti-fraud arrangements and investigation work undertaken during 2017/18, with a particular focus on the work delivered by Internal Audit.

In considering the report the Committee was assured over the Council's corporate governance and risk management arrangement, the control environment and the associated anti-fraud and anti-corruption arrangements based on the information provided within the report submitted.

**Decision**

1. To note the report submitted.
2. To endorse the Counter Fraud Strategy.