

## **Audit Committee**

### **Minutes of the meeting held on Monday, 5 November 2018**

#### **Present:**

Councillor Watson – in the Chair  
Councillors Connolly, Lanchbury, Russell, A Simcock and Watson

**Apologies:** Councillor Ahmed Ali, Barker and Downs  
Mr S Downs (Co-opted member) and Dr D Barker (Co-opted member)

#### **AC/18/50. Appointment of Chair**

In the absence of Councillor Ali, the Committee was requested to make a nomination for a Chair for the meeting.

Councillor Watson was nominated by Councillor A Simcock and this was seconded by Councillor Lanchbury.

Decision

To appoint Councillor Watson as Chair of the meeting.

#### **AC/18/51. Minutes**

The minutes of the Audit Committee held on 3 September 2018 were submitted for approval.

**Decision**

To approve the minutes of the meeting held on 3 September 2018 as a correct record.

#### **AC/18/52. Internal Audit Assurance Report**

The Committee considered the report of the City Treasurer and the Head of Internal Audit and Risk Management which provided a summary of the work of the Internal Audit Section for the period April to September 2018. The report included progress toward delivery of the annual audit plan, a summary of assurance opinions on completed audits, counter fraud and investigation and a summary position on the implementation of Internal Audit recommendations.

The Chair invited questions from the committee.

A member referred to internal audit work on commissioning and contract

management work and what plans are in place to include this within the work of Internal Audit.

It was reported that the Internal Audit Service had undertaken considerable work in procurement, contracts and commissioning work, focussing on insurance, whistleblowing and social value within contracts as well as working closely with the procurement team.

A member asked if officers would prioritise the audit work that had been removed from the current year's work plan as detailed in paragraph 2.4 of the report relating to audits of:

- Software Licensing;
- Public Contracts Regulations Compliance; and
- Manchester Support for Independent Living

The meeting was informed that the audits moved from the current work plan would be considered as a priority in the work plan for 2019/20.

A member referred to the lower priority rating of the audit of Manchester Support for Independent Living and requested officers to provide further information on the decision to delay the audit.

In response to a question from a member regarding the fee charged by the external partner for work to recover overpayments or unclaimed credit notes, it was reported that the fee would be 15% of the total recovered.

The Chair referred to audit work to deal with Manchester Health Care Commissioning (MHCC) and Manchester Local Care Organisation (MLCO) and requested an update on progress.

The Committee was informed that audit plans had been shared with auditors from Manchester Foundation Trust and the Care Commissioning Group. Audits had been undertaken by the Council on specific areas and jointly with MHCC and MLCO. An update report would be submitted to the Audit Committee at a future meeting.

Officers were requested to provide a separate report providing progress on the working arrangements for audit work of Mental Health casework compliance in respect of the Greater Manchester Mental Health Trust to the meeting of the Audit Committee on 11 February 2018.

Reference was made to the success of recovery work regarding Council Tax Support, Housing Tenancy Fraud and Right to Buy application fraud and officers were requested to ensure that such information was publicised widely through the Council's Communications Team.

## **Decisions**

1. To note the report submitted and the comments raised.
2. To request that a report is submitted to the next meeting of the Committee

providing a review of lower priority rating of the audit of Manchester Support for Independent Living.

3. To request that a report is submitted to the meeting of the Committee in February 2019 to give an update on the working arrangements of audit work of Mental Health casework compliance in respect of the Greater Manchester Mental Health Trust.

### **AC/18/53. Outstanding Audit Recommendations**

The Committee considered the quarterly report of the City Treasurer and the Head of Internal Audit and Risk Management which provided information on the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations. The report contained only Internal Audit recommendations.

The Chief Operating Officer (Neighbourhoods) and the Strategic Lead Officer (Events Parks and Leisure) attended the meeting to introduce the report and an update on actions taken on the development of an Events Strategy and Events Management.

The Chair invited questions from the Committee.

Officers were requested to provide more information on resources for events and the appointment of staff.

It was reported that the post of 'Head of Events' had not been filled after advertising the post on two occasions. Following a review of the position it was decided that the role would be combined to include other responsibilities and was advertised again. It was anticipated that suitable candidates would apply and an appointment could be made from the process. The Committee was informed that unanticipated events such as large scale parades and demonstrations within the city had contributed to pressure placed on current resources.

The Chair referred to the holding of events within Albert Square and asked officers if this would be included within the Strategy as part of the refurbishment of the Town Hall.

The Committee was assured that the refurbishment of the Town Hall and Albert Square would be included within the Strategy and this will take into account the use of the area as a future venue in view of changes taking place to other outdoor venues within the city. The Albert Square area would be enhanced with an increased pedestrian area and reduced traffic flow and the inclusion of barrier protection in line with the advice received on counter terrorism.

A member referred to the use of new venues identified in the strategy and sought assurance that, where necessary, local residents and resident's groups would be fully informed and consulted on events proposed.

It was reported that the Events Strategy will include engagement with elected members and a check will be made with the Executive Members concerned on whether residents will be included in this. The Strategy will include provision for the notification of events at venues within residential areas, such as the Castlefield Bowl, and this will continue to take place well in advance of a planned event.

A member referred to the list of overdue recommendations and asked officers which of the recommendations is causing most concern.

The meeting was informed that the audit work relating to Liquid Logic Data Migration and Testing Phase 1, for the reason that the system dealt with issues relating to children's and adults social care. All outstanding audits would be monitored and an update would be provided on this within the next report to the Committee.

The Committee agreed that it was satisfied with the assurance provided within the report it had considered.

### **Decisions**

1. To note the report submitted and the comments received.
2. To note that the next report on Outstanding Recommendations will include an update on the position of overdue recommendations.

### **AC/18/54. 2018/19 Annual Governance Statement - Summary of Progress to Date**

The Committee considered the report of the Deputy Chief Executive which provided a summary of progress that has been made to date in implementing the governance recommendations from 2017/18 Annual Governance Statement (AGS). The report also outlined the next steps in the process of producing the Annual Statement for 2019/20. The AGS provides explanation of the governance challenges the Council is facing and these are reported on a six monthly basis to ensure the challenges continue to remain in focus on how they are addressed.

The Chair welcomed the report, in particular, the comprehensive coverage on the range of governance challenges it provides.

The Committee considered the actions listed in the report and the Chair invited the Committee to ask questions.

Members referred to the Our Manchester Behaviours process involving staff self-assessment and Listening in Action events. Members agreed that it was important to ensure that the Our Manchester approach in the delivery of Council services was consistent across the authority. Reference was also made to the reducing number of staff attending Listening in Action events and an assurance was sought from officers that all staff will be provided with the opportunity and time to attend an event regardless of their role within the authority and location.

Officers noted the comments and suggested that a comprehensive response to the points raised would be included within the next Annual Governance Statement.

A member reported that the Resources and Governance Human Resources Sub-Group could consider the issues raised regarding Listening in Action and the Our Manchester Strategy as part of an annual report to be submitted on the BHeard survey.

The Chair referred to the Our Manchester Experience and requested that the work to refresh the experience take into account the feedback of the Older Peoples Board, in particular the wealth of local knowledge and experience that older people possess about the city. Also the observation that listening to residents is crucial to the success of experience.

A member referred to the number of Freedom of Information (FOI) requests made to the Council annually and asked officers to provide information on the time taken to respond to each request made and how much of the information requested was usually already available within the public domain and the cost to the Council.

It was reported that the Council receives up to 3000 (approx) FOI and other information requests annually and this generated a significant cost to the Council in processing and providing responses. Based on the popular information requests submitted, information is included on the Council website in order to address future requests. The Annual Complaints report will include details on the number of complaints and requests received however, this did not include use of resources such as staff time spent on the requests or cost.

A member referred to the implementation of the General Data Protection Regulation (GDPR) requirements across the Council on asked officers if this was on schedule to be achieved.

Officers undertook to report back to the Committee on the current position regarding GDPR.

The Chair referred to Action 11 within the report and requested that the Human Resources Sub-Group consider the issues raised relating to the improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working.

Councillor Russell reported that the subject of improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working was not on the current work programme of the Sub-Group. Councillor Russell undertook to include the topic in the work programme for future consideration.

## **Decisions**

1. To note the report submitted and the assurance provided.
2. To request that the Annual Governance Statement includes a response to

concerns expressed regarding the consistency of the implementation of the Our Manchester behaviours across all areas of the Council's services and staff.

3. To request the Resources and Governance Human Resources Sub-Group to consider a report that provides feedback on the BHeard survey, an update on the training and implementation of the Our Manchester Strategy and to update on the arrangements for Council staff to attend Listening in Action events.
4. To note the comments made regarding the Our Manchester Experience and to pass the comments on to the officers involved in the refresh of the experience.
5. To request that, as part of the Annual Complaints report, officers include details on the number of Freedom of Information and other subject access requests made to the Council and provide details of the average length of staff time taken to process a request and costs involved.
6. To request the Resources and Governance Human Resources Sub-Group to consider issues raised within Action 11 of the report submitted relating to "improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working".

#### **AC/18/55. Governance Improvement Progress for Partnerships with Medium or High Risk Assessment ratings**

The Committee considered the report of the Deputy Chief Executive and the City Treasurer which provided an update on progress made to strengthen governance arrangements in the fourteen partnerships where a 'Medium' or 'High' Partnership Governance Risk Assessment was recorded in the 2017 Register of Significant Partnerships. The report provided information on the progress made in the governance of the partnerships since the submission of the latest version of the register to the meeting of the Committee on 25 January 2018.

A member referred to the partnership involve with Brunswick PFI (entry 55) and asked if there had been any improvement following the issue of warning notices to S4B to highlight specific contract concerns.

It was reported that the Brunswick PFI had been rated as a 'Medium' risk partnership and it was not anticipated that this be changed to a 'Low' risk rating at this stage. The rating would be reassessed as part of the review of the Risk Partnership Register.

The Chair referred to the concerns raised regarding Manchester Service for Independent Living and the need for the service to fully integrate with other health care related services. In view of the concerns on the partnership and the request to reconsider the priority given for audit work, officers were asked what action would be taken. It was noted that although governance arrangements concerning systems and processes within the organisation had improved the Service Level Agreement relating

to the Council and three Clinical Commissioning Groups (CCG) was awaiting ratification.

It was reported that officers would look into the audit of Manchester Service for Independent Living in light of the comments made and would revisit the existing audit assumptions. A watching brief would be maintained on the partnership with a further update in the report to be submitted to the meeting of the Committee on 11 February 2019. A check would also be made on the position of the Service Level Agreement sign off.

A member referred to delays in the provision of wheelchairs and requested officers to include information on this situation as part of the review.

## **Decisions**

1. To note the progress made to improve the governance arrangements in the partnerships detailed within the report submitted.
2. To note the comments received in respect of Manchester Service for Independent Living and request officers to undertake a review of the audit assumptions made on Manchester Service for Independent Living and provide an update on the partnership for the meeting of the Committee on 11 February 2018.

## **AC/18/56. Treasury Management (Interim) Report**

Members considered the report of the City Treasurer that provided Members with information on the Treasury Management activities of the Council during the first six months of 2018-19. The City Treasurer introduced the report by stating that the Housing Investment Fund would transfer to GMCA before the next financial year end; based on the forecast cash flow, that the level of temporary deposits will continue to fall and that therefore the Council will need to borrow further funding during 2018/19; and On 10 November 2017 DCLG (now MHCLG) published a consultation on changes to the guidance on local authority investments and Minimum Revenue Provision (MRP).

In response to question from a Member regarding the European Investment Bank (EIB) the City Treasurer stated that borrowing from the EIB was made against infrastructure projects and a decision on these was pending.

The City Treasurer said that the requirement for local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income was a positive development that will allow for a more transparent reporting mechanism.

In response to a question from the Chair regarding the ten changes to the statutory guidance published by the MHCLG the City Treasurer said that she broadly welcomed these, however expressed caution that they should not place too many restrictions on Local Authorities ability to borrow or invest if one or two Local

Authorities acted irresponsibly. When asked the external auditor said that the changes did not present any concerns to them.

The Chair commented that the glossary that had been provided with the report was very beneficial for the lay reader.

### **Decision**

To note the report submitted.

### **AC/18/57. External Audit Progress Report and Update**

Members considered the report of Mazars, the Councils appointed external auditor that provided the Committee with an update in progress in delivering their responsibilities for the 2018/19 audit as the external auditor. The report detailed the areas of activity and the timescales for delivering and reporting on these. The report further highlighted national publications and guidance that are relevant to the work of the Committee.

The External Auditor commented that work was ongoing as described and the Audit Plan will be reported to a future meeting of the Committee.

A Member asked if the Transformation Guidance for Audit Committees applied to partners noting that many of the principals described should be considered by partners such as the Local Care Organisation. The External Auditor replied that the guidance had been produced primarily for Audit Committees to help them consider how they could robustly challenge and monitor transformation projects, noting that in many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure.

The Chair commented that the 'Our Manchester' approach was dependant on people and influencing behaviour change to transform the organisation and delivery of services.

### **Decision**

To note the report submitted.

### **AC/18/58. Risk Review Item: Contract Management and Governance**

The Committee considered the report of the City Treasurer that summarised progress against the actions set out in the contract management improvement work plan approved by the council's Senior Management Team on 27 February and the recommendations of the Audit Committee in January 2018.

The Head of Integrated Commissioning introduced the report, stating that a great deal had been achieved in the last seven months in relation to governance, monitoring and accountability, with notable progress on completion and analysis of



contract registers, the development of standard products and processes, and growing awareness and tools for monitoring social value in contract delivery.

The Head of Integrated Commissioning stated that work was also ongoing with health partner in the Manchester Health and Care Commissioning (MHCC) and the Local Care Organisation, however the scale and complexity of the challenge should not be underestimated, given the number, value and variety of external contracts, the Council's ambition for delivering for Manchester residents, and the pressing need to maximise value for money. The report noted that this was a long-term improvement programme, and there remained much work to be done.

A member commented that she welcomed the establishment of a standard contract register as a mechanism for the efficient monitoring of contracts. She commented that this would enable conversations to be had with local, smaller suppliers to encourage them to bid for contracts noting that it was important that barriers to doing this needed to be removed. The Head of Integrated Commissioning stated that this was being undertaken as the new model supported this approach.

In response to Members questions the Head of Integrated Commissioning informed the Committee that she would circulate the figures of how many contracts existed per Directorate and information on those contracts that were rated as either Gold, Silver or Bronze as assessed for their criticality. The Chair welcomed this, noting that this may inform future work of the Committee and if necessary the Committee may wish to consider referring matters to the appropriate Scrutiny Committee.

A Member requested further information on the Directorates that would develop forward commissioning pipelines on the basis of risk and criticality, and reflect in service and budget plans, with first drafts to be completed by December 2018, to be combined in City Council and MHCC forward planning. The Head of Integrated Commissioning said that this would be shared with Members, mindful that some information was commercially sensitive and advice on this would be provided.

The City Treasurer responded to comment from a Member regarding staff training to manage contracts noting that the Council currently commissioned and procured over £0.5bn of services from third parties, the scale of which illustrates the importance of this function by saying that this has been identified as a priority workforce development and funding had been identified to deliver staff training.

In response to a question from the Chair the Head of Integrated Commissioning confirmed that the reported £0.5bn was for the procurement of a variety of services, such as homecare, highways and children's services for example and not capital expenditure and was an annual figure. The Chair commented that this was a significant amount of money and highlighted why this activity was so important.

A Member asked how much money was being saved currently and what future saving would be realised by delivering this approach to commissioning and contract management. The Head of Integrated Commissioning said that work was ongoing with each Directorate so that they are prepared for the re procurement of services and the awarding of new contracts and commented that any savings achieved would be retained by the relevant service Directorate budget. She said that work was

ongoing to prioritise high risk areas and opportunities for achieving savings from existing contracts were being explored. She said savings would be achieved long term through a more robust, timely and efficient monitoring and management of contracts. She made particular reference to the Neighbourhoods Directorate who had embraced and developed a very good model to review their contracts that would be shared with other Directorates to support them with this activity and influence behaviour change.

In response to a question asked by the Chair the Head of Integrated Commissioning reported that those contracts that had been identified for priority review were as a result of them being because they were time sensitive or had been identified by the Senior Management Team to achieve specific strategic objectives. She said priorities would be reviewed each year taking into consideration budget priorities and strategic plans.

The Chair noted the reported progress and requested that future update reports on this important area of work contained examples.

### **Decision**

To note the report submitted.

### **AC/18/59. Annual Audit Letter for Year Ending 31 March 2018**

Members considered the Annual Audit Letter from the Council's previous external auditor (Grant Thornton) for the year ended 31 March 2018.

The Chair thanked Grant Thornton for the hard work of the staff involved with the external audit of the Council's finances and the help and advice the company had provided to the committee during this working relationship.

### **Decision**

To note the Annual Audit Letter.

### **AC/18/60. 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.

### **Decision**

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