

Audit Committee

Minutes of the meeting held on 14 March 2008

Present:

Councillor Watson – In the Chair
Councillors Andrews, Clayton, Isherwood, Morrison, and Trotman.

AS/08/8 Minutes

Decision

To approve the minutes of the meeting held on 18 January 2008 as a correct record.

AS/08/9 Statement of Internal Control – ERDF Grant

The Committee considered a report of the Deputy Chief Executive (Regeneration) updating the Committee on the further actions that were agreed when the Committee last considered contingent liabilities related to ERDF grant.

In September the Committee welcomed the removal of the risk associated with the earlier phase of ERDF schemes and expressed confidence that the issue continued to be addressed with vigour in terms of improved systems and clearer management accountability. The officers were requested to submit a further report when the detailed investigation of 2000/2006 ERDF programme schemes was complete.

The Committee now noted that a total of 138 projects in receipt of over £79.521m of ERDF grant have had their project records tested for completeness in accordance with grant funding and MCC record keeping requirements – 83 were the subject of report to the Committee in September 2007 and the outcome of the remainder was now reported. These 55 projects represented £19.907m of the total ERDF checked. The exercise demonstrated that managers across the Council and at NEM Ltd were committed to working through this process and demonstrating that their project records were maintained to the required standards of completeness. Two NEM projects have not yet been checked as the records are held in locations away from Manchester and officers have not yet been able to validate the project files onsite. There had not been anything identified in relation to NEM to give concern.

Of the 55 projects, 47 have been found to contain all of the information required to provide a full auditable account of the delivery of the project and these projects account for £17,553m of ERDF grant. Of the 8 projects found to have gaps within their files, work is ongoing to ensure that the responsible project officers trace relevant documentation to complete the files and that this is subject to verification by officers of the City Council. Of these 8 projects, 6 with a total ERDF value of £2.174m are delivered by external, non-MCC applicants. The City Council's risk is limited in these cases as any grant clawback claims made in respect of these projects against the City Council in its role as Accountable Body,

would in turn be passed on to the project delivery body. The two Council delivered projects with a total ERDF value of £0.180m which had been found to contain information gaps will now be subject to further detailed testing and follow up checks to ensure that these gaps were filled and risks lessened.

The Committee was given an assurance that any further work to be undertaken in relation to current ERDF programmes moving to closure, would not be to the detriment to other work programmes and without the need to incur additional costs to the authority. The Committee was also informed that the testing of the same quality and robustness of information was undertaken in relation to grants awarded by the Council and, specific assurances were given about grants awarded by the Regeneration services.

Decision

To note the report and acknowledge the excellent work undertaken to the highest standard.

AS/08/10 Terms of Reference

Consideration was given to a report of the City Treasurer inviting the Committee to consider revisions to the Committee's terms of reference

Decision

To agree the proposed revisions to the Terms of Reference and to request the City Solicitor to include these in the next annual review of the Constitution which will be submitted to the Annual Meeting of the City Council.

AS/08/11 Internal Audit Assurance Statement

A report of the Head of Audit was submitted which provided a statement of assurance based on Internal Audit activity over the last year and outlined the broad implications for audit work in the coming months.

The Committee was advised that based on the programme of audit work undertaken during the year assurance can be given that the Council's systems of internal control were generally sound and operated reasonably consistently across departments to ensure effective, economic and efficient management. In a Council of Manchester's size and complexity, with its significant change agenda, there is a heightened risk of breakdown of control particularly where roles and systems are changing. Where audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed.

The Committee again was concerned about the staffing situation in the Internal Audit section and noted that action was being taken to fill vacancies. It was reported that an update would be brought to the May meeting of the Committee. In response to concerns over the extent of compliance by managers in budget monitoring, it was reported that there

was still dual use of systems and that managers were being encouraged not to use old monitoring systems in addition to the SAP processes.

In response to comments concerning the use of Consultants, the Committee was informed that the ongoing use of Consultants was based on value for money. A report was currently being finalised with managers and would be submitted to the Committee at a future date. Members commented on individual service areas and noted that the relevant reports would be submitted to Scrutiny Committees as appropriate. It was noted that a report would be submitted to the Children and Young People Overview and Scrutiny Committee on the School Governance Project, members stressed the need for a separate commentary from the Audit Section.

Reference was made to the extra financial burden incurred to cover long-term sickness and other absence in schools. The Chair referred to the recent meeting of the Resources and Governance Scrutiny Committee which had referred the issue of management support in relation to all human resource procedures in schools to the Human Resources Sub Group of that Committee. In addition the Resources and Governance Overview and Scrutiny Committee had resolved to set up a Member Working Group specifically to look at Governance.

Decision

To note internal audit assurance opinion and priorities for future work.

AS/08/12 Partnership management arrangements - review

A report of Grant Thornton, the Council's Auditors was submitted in relation to the management of partnerships which was identified in the Audit and Inspection Plan 2007/08 as an area requiring audit work during the year to support the Auditors opinion on the accounts and their conclusion as to the adequacy of the Council's arrangements for ensuring value for money in the use of its resources.

The Council works in partnership with a large number of organisations to deliver its strategic objectives and has interests in a range of significant companies and joint ventures, and, as such, the Council's complex relationships give rise to potential financial, governance and performance related risks. Arrangements for partnership working are becoming increasingly prominent in the Comprehensive Performance Assessment (CPA) and will be a core component of Comprehensive Area Assessment (CAA), from 2009.

The review gave rise to recommendations from the Auditors that the Council should ensure that previously identified areas of weakness within partnership management arrangements were used to review and challenge partnership assurances and to feed into management arrangements improvement plans. In particular, the Council should focus attention on a number of areas that will form part of the use of resources assessment:

- demonstrating the value for money of partnership working
- consistently approving business cases before entering into partnerships, including the costs to the Council against the expected benefits

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- joint strategic needs assessments, including an understanding of inequalities, that drives forward long term commissioning decisions and partnership objectives
- improving evidence of joint service and financial planning through the Medium Term Financial Plan and service business plans
- expanding joint procurement, asset management, IT and data quality arrangements
- obtaining assurance over significant partners' business continuity plans
- evidencing partners' confidence in the arrangements for partnerships, including standards of conduct and governance arrangements
- introducing robust risk management arrangements for partnerships
- embedding robust performance management arrangements for all significant partnerships, based on corporate standards for performance management, and including benchmarking of outcomes and indicators against others
- implementing a procedure for declaring conflicts of interest within partnership organisations
- considering whether there is a requirement for scrutiny to review any other significant partnerships (based on the outcome of the evaluation exercise)
- ensuring that the internal audit plan responds to key risks identified by the evaluation process
- linking the PGF to the wider assurance framework
- widening systematic feedback on how services are performing and demonstrating how this assists in making improvements to services
- introducing systematic joint processes for managing the environmental impact of delivery of public services in Manchester.

Members expressed concern in relation to the lack of a system in place for declaring and managing conflicts of interest within partnership organisations and noted that work was being undertaken with the Standards Board on a project to develop ethical guidance for partnership working and that there was no specific timetable for this work.

The Chair referred to the compilation of pooled budget accounts and referred to the work being undertaken by the joint Sub Group of Resources and Governance and Health and Well Being Scrutiny Committees. The Sub Group had expressed concern about the effectiveness of pooled budget arrangements and were to undertake further work investigating the viability of pooled budgets or other such arrangements as a mechanism for enabling the Council and PCT to achieve the joint aims set out in the Community Strategy.

The Committee and the Executive Member were concerned about the overview findings that the Medium Term Financial Plan focussed largely on the Council, without significant evidence of consideration of partners' MTFP and citywide resource mapping. Members were informed that the comment was to help the move towards self assessment in the context of partnership working over the next year.

A Member sought clarification in relation to authority delegated to officers to enter into partnership arrangements.

Decision

1. To note the report and the action plan providing summary recommendations concerning areas of action for the Council to focus on, in preparation for its use of resources assessment.

2. To request officers to report back to the Committee providing clarification in relation to the Scheme of Delegation and Partnership arrangements.