

Audit Committee

Minutes of the meeting held on 18 January 2008

Present:

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

AS/08/1 Minutes

Decision

To approve the minutes of the meeting held on 28 September 2008 as a correct record.

AS/08/2 Internal Audit

The Committee considered a report of the Acting Head of Internal Audit outlining progress made against the Internal Audit Plan for 2007/8. Consideration was also given to a paper presented by the Audit Commission on its review of the internal audit function of the Council, and its proposed review of the effectiveness of this Committee as the mechanism for exercising member-level control of the Council's financial processes, for ensuring that arrangements were in place for the identification of risks, and that systems of financial probity were fit for purpose. An action plan to address issues raised in the report was tabled at the meeting.

The Committee was concerned to note that the staffing situation within the Internal Audit Section was again inhibiting the completion of the approved Audit Plan, and that this, combined with increased demand-led work involving complex investigations, even allowing for the use of external resources to undertake some elements of work, had resulted in the Plan being reviewed and revised as a result. Officers reported on a range of strategies being pursued to recruit and retain staff and it was agreed that the position would be reviewed at each meeting. Members questioned the criteria used in determining which elements of work should be deferred in the Plan and the extent to which issues of risk were key determinants in terms of retaining work within the programme. Officers confirmed that risk quotients were important factors in determining which audit reviews could safely be deferred without compromising the position of the Council, and that there remained a chance that this work could ultimately be completed later in the year. Members commented specifically on the importance of completing school audits, particularly in relation to primary schools following the introduction of Financial Management Standards in Schools so that any audit issues were picked up at the earliest possible stage. Officers indicated that a number of issues relating to FMSIS were likely to be picked up as part of a wider review of governance within the Council in preparation for the Annual Governance Statement for 2007/8, and to embed corporate governance issues across the Council. The Chair requested that a report on the work so far done by the Governance Working Party should be reported to a future meeting of the Resources and Governance Overview and Scrutiny Committee.

Turning to consider the proposed review of the effectiveness of the Audit Committee function, members reminded the Audit Commission that this was only the second full year that the Committee had been fully established and emphasised that members had spent a considerable amount of time during the earliest meetings in gaining a better understanding of internal financial processes and systems of control. The Commission's officers indicated that the inclusion of this element of review reflected that the Committee was new and to assess the extent to which its work was now embedded in the culture of the Council. Appreciating this context, the Chair informed the Commission that the later agenda item on the forward work programme demonstrated the broad range of issues to be considered during the year ahead and flagged up the need for more regular meetings of the Audit Committee, for which provision had been made in the 2008/9 calendar of meetings.

Members again highlighted a number of instances where Heads of Service had failed to implement important recommendations from past internal audit reviews. Officers indicated that in a number of cases this represented deferred implementation linked to organisational change, or pending restructuring proposals being implemented. Members however considered that from the perspective of demonstrating that the Audit Committee was effectively addressing its concerns, Heads of Service should be called to appear before the Committee to give an account for their actions. The District Auditor confirmed that it was important that Service Directors recognised that the Committee was taking this issue seriously.

Decision

1. To note the current staffing difficulties within the Internal Audit Service and the impact of this on the delivery of the Approved audit Plan for 2007/8.
2. To reiterate concern regarding the high percentage of recommendations arising from internal audit reviews that are not being implemented by Service Directors, to agree that the Committee's concerns should be drawn to the attention of the Chief Executive and the Strategic Management Team, and that it be advised that from March 2008 this Committee will begin to call individual Service Directors to account for their failure to implement recommendations.
3. To request a report on the work so far done by the Governance Working Party should be reported to a future meeting of the Resources and Governance Overview and Scrutiny Committee

AS/08/3 Risk Management – service improvement plan update

The Committee considered a report of the City Treasurer in relation to progress in developing risk management methodologies within the Council.

Officers outlined the way that risk management was now becoming embedded within the Business Plan culture of the Council, the way that new risks were being better identified and how those already known were being consolidated. Officers also highlighted the increasing focus on strategic risks from partnership and proposals to establish a Partnership Risk Register to give these formal expression. In this context reference was made to the need for assessments of 'sovereign risk', highlighting the Eccleshall Street and

Supercasino initiatives where decisions taken by government or government agencies had placed the Council in difficulty. Other members took the view that it was not always possible to second-guess this sort of regulatory change.

Responding to members' questions officers indicated that it could be anticipated that some risk elements would appear in the Council's Risk Register and the Partnership Risk Register, which it was suggested would be reviewed regularly by the Public Service Board and which would be open to examination by the Audit Commission.

A member referred to the three new areas of risk identified in the report and it was agreed that these issues should be referred to the Resources and Governance Overview and Scrutiny Committee for consideration as part of its review of Business Plans and budgets on 26th January 2008.

Decision

To note the progress being made, to request the officers to report further in relation to strategic risks involving the Council's strategic partners and the extent to which this Committee will have access to the Partnership Risk Register as part of its work in gauging the totality of risks facing the Council.

AS/08/4 Audit and Risk Service Improvement Review

The Committee received a progress report on the review. Officers reported that work to collect data and engage with stakeholders was on going and it was anticipated that strands of work would be drawn together by the end of March with a report to the Audit Committee in June.

Officers gave clarification of the stakeholders they would be consulting about any proposals.

In relation to comparisons with other Councils, members noted that no single model appeared to be emerging as a beacon of best practice, with many different approaches being taken by Councils in order to provide the best fit for risk management within their own organisation.

Members emphasised, and the District Auditor indicated that he supported, the important principle that risk assessment was an integral aspect of service management and that any recommendations emerging from the review that sought to establish separate risk managers would not be favoured.

Decision

To note the progress being made and the likely timetable for reporting back to this Committee.

AS/08/5 Data Quality

The Committee considered a report by the Audit Commission of a review of the Council's data quality. The report focussed on the importance of this element of the Audit Commission's work and the relationship between good data and good decision making, and indicated that whilst a great deal of work had already been done, much more was required prior to the establishment of a Data Strategy by March 2008. The Commission stressed the importance of accurate data trails to back up all performance related data.

The Commission's representative indicated that the action plan agreed with the Council's officers would address all of the concerns raised in their report but suggested that the Committee may feel it appropriate to monitor progress in the implementation of that action plan. Members requested the officers to submit a quarterly report.

Decision

1. To note the progress made and to request a quarterly monitoring report on the implementation of the action plan.

2. To stress to officers the importance of completing the Data Quality Strategy by March 2008, and to this being widely disseminated to staff from the start of the new financial year.

AS/08/6 Use of Resources

The Committee considered a report of the Audit Commission in relation to the Use of Resources assessment, which evaluates how well Councils, manage and use their resources. The assessment is made annually and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements.

Members noted that in most elements the Council was deemed to be performing adequately, in some performing well, but that in relation to Financial Reporting the assessment was that performance was inadequate. The District Auditor indicated that the assessment in relation to Financial Reporting reflected a number of errors in the Final Accounts and he believed that there was room for significant improvement in terms of embedding existing processes rather than introducing wholesale change, and he recognised that the accounts for 2006/7 had been prepared against new financial standards that many councils had struggled to meet.

Members sought to establish how the impacts of the Manchester Improvement Programme would find expression within the Annual Efficiency Statement and the District Auditor accepted that those linkages need to be stronger so that the performance benefits from MIP can be fully accounted. Members also questioned the District Auditor on the value for money references in his report in relation to the capital programme. The District Auditor said that this related directly to serious slippage in the capital programme overall which he believed could and should have been avoided.

Decision

To note the report and the actions proposed by the officers in response to the District Auditor's views.

AS/08/7 Draft Work Programme 2008/9

The Committee considered a draft programme of work for future meetings

Decision

To approve the work programme as proposed, and the increased frequency of meetings in 2008/9