

Audit Committee

Minutes of the meeting held on 24 June 2010

Present: Councillor Watson – In the Chair
Councillors Clayton, Morrison, Sandiford, Swannick and Wheale.

Also Present:
Gavin Blackstone (Grant Thornton)

AC/10/30 Minutes

Decision

To approve as a correct record the minutes of the meeting held on 3rd June 2010.

AC/10/31 Comprehensive Area Assessment

A report of the Chief Executive was submitted updating the Committee on the Comprehensive Area Assessment (CAA). The report identified that the Use of Resources assessment for 2010, which formed part of the CAA Organisational Assessment, was largely complete prior to the abolition of CAA. Whilst no scores would now be released for Use of Resources, the work undertaken as part of the assessment will inform the Value for Money judgement that will be published alongside the Council's final accounts. Early feedback from the auditors on the assessment was largely positive, suggesting that the Council had made significant progress on the issues identified by the 2009 assessment. There was also a clear indication that the Council's use of resources score would have improved for 2010, from a level 2 (performing adequately) to a level 3 (performing well). Particular successes were identified in financial management, data quality and use of information, and in risk management.

The Committee noted that ensuring that the Council made excellent use of resources continued to be important in the current national context, as well as the need to justify spend and value for money in relation to the delivery of services. To this end work to continue to improve and monitor the key lines of enquiry which formed the Use of Resources assessment would continue through the Council's existing Value for Money (VFM) Strategy and action plan which brings together programmes of work currently ongoing across the Council that are contributing to a better understanding of our VFM position and more efficient use of resources. Work was also taking place with lead officers for each of the elements of the Use of Resources assessment to ensure that detail of activity which will lead to improvements against the Use of Resources criteria was captured in a way which allows the benefits to be effectively monitored.

Decision

To note the report that provides assurance that the resources already committed on this work in 2009/10 will not be abortive and that the data collected will continue to inform the Council's overall use of resources assessment.

AC/10/32 Review of partnership working with Manchester primary Care Trust

A report of the Council's Auditors was submitted on the outcome of a review of the partnership working arrangements between the City Council and NHS Manchester.

Highlighting many areas of good practice from effective close collaboration between the two organisations leading to improved health outcomes the report also identified areas where there was scope for further cooperation, particularly in the field of joining up procurement and commissioning; pursuing a joint legal framework and shared use of premises. The scope for the achievement of significant levels of savings from joint cooperation in these and other fields was considered to be significant.

Members welcomed the report and the benefits that were demonstrated from joint collaboration between the two organisations. It was clear that much had been done already and the report gave pointers to areas where still more could be done going forward. On a cautionary note members indicated that great care was needed to ensure that joint initiatives were to be driven by local needs rather than pressures that government may impose on PCTs.

Decision

To note and welcome the positive messages arising from the review and the helpful signposting of areas of future collaborative work.

Councillor Swannick declared a prejudicial interest in this item as a member of the Primary Care Trust and left the meeting during consideration of this item

AC/10/33 Internal Audit Annual Fraud Report

A report of the City Treasurer and Head of Internal Audit and Risk Management was submitted which provided a summary on the outcome of proactive and reactive anti-fraud and investigation work during 2009/10, with a particular focus on the work delivered by Internal Audit. The report outlined some of the areas of emerging fraud risk and the Council's strategic and operational arrangements for managing those risks. The Audit Commission's Members' Briefing on the National Fraud Initiative was also submitted for consideration by the Committee in conjunction with this item.

Members noted that 2009/10 had seen higher than anticipated levels of referrals and fraud investigations in a number of thematic areas including theft, payments and financial irregularity. The need to respond quickly and comprehensively to allegations of fraud and corruption had impacted on the ability to deliver as much development and proactive anti-fraud work as had been anticipated at the start of the year, and this demand on resources was reflected in the 537 days of auditor and manager time for reactive and proactive fraud work in the 2010/11 Internal Audit Plan. Despite this volume of referrals good progress had been made as acknowledged by the external auditor in the recent Use of Resources submission to the Audit Commission which stated that "*arrangements for anti-fraud and corruption and promotion of good conduct have been further strengthened through investment in a dedicated post within internal audit. There is evidence of pro-active fraud work*

during the year in a number of areas to support the Council's Counter Fraud and Corruption plan".

The report identified to members further opportunities for development that have been identified as service priorities for 2010/11 including:

- Supporting the Council to improve levels of awareness of fraud risks amongst managers, staff and partners.
- Further improvements to the effective communication of Council policy, procedures and codes relating to anti-fraud
- Finalisation of fraud risk assessments and a fraud risk register to focus resources on potential vulnerabilities
- Building on the strong links with the police over case handling and arrest
- Continuation of a strong proactive anti-fraud programme to deter, prevent and detect potential fraudulent activity
- Working with colleagues, particular in personnel and the Fraud Investigation Group to help clarify roles and responsibilities, share expertise and maximise the efficiency and effectiveness of anti-fraud activity across the Council.
- Maintaining intelligence and oversight of fraud cases and outcomes to support decision-making.

Welcoming the report members highlighted the need to consider similar approaches in relation to other organisations and groups with the Council is involved at a financial level. Members also welcomed the focus of the work that went beyond the investigation of incidences of fraud and in to the development of improved systems of control.

Decision

1. To welcome the report and the initiatives proposed that provide the Committee with assurance that the Council is proactively engaged in this area of work.
2. To note the Audit Commission's Members' Briefing on the National Fraud Initiative.

AC/10/34 Annual Accounts 2009/10

The 2009/10 Annual Accounts were submitted to the Committee for the purpose of robust scrutiny and approval, and to the Annual Governance Statement included therein as required by the Accounts and Audit Regulations.

A number of revisions to the financial tables were circulated at the meeting.

In introducing the accounts, the City Treasurer indicated that they represented probably the most complex set of accounts in the public sector. He highlighted that the accounts showed a significant deficit on the income/expenditure account, this being largely made up of the introduction of PFI schemes to the accounts, and to pension commitments.

Members noted that the pension deficit was a notional one and that a better picture in relation to pensions would be drawn from the actuarial assessment that would be available later in the year. It was agreed that this should be considered in detail by the Resources and Governance Overview and Scrutiny Committee later in the year.

Decision

1. To approve the 2009/10 Annual Governance Statement so far as this Committee is concerned.
2. To approve the 2009/10 Annual Accounts under the powers delegated to the Committee in the Council Constitution, and subject to Executive giving approval to the contributions to provisions and reserves contained within the accounts, and to authorise the submission of the Accounts for audit by the statutory deadline of 30th June 2010.
3. To thank the officers for the work that they have done in drawing together the final accounts.