

Audit Committee

Minutes of the meeting held on 28 September 2007

Present:

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

Also Present: Councillor Priest, Executive Member for Finance and Human Resources

AS/07/19 Minutes

Decision

To approve the minutes of the meeting held on 29 June 2007 as a correct record.

AS/07/20 Statement of Internal Control – ERDF Grant

The Committee received a further report from the Deputy Chief Executive (Regeneration) on developments in closure of the 1997/99 ERDF audit process, and reporting on the further actions previously outlined to the Committee with respect to future phases of ERDF audit.

The Chief Executive's representative responded to members' concerns regarding the rationale adopted in relation to the survey of 2000/2006 ERDF Programme schemes, and the representativeness of the sampling process. Members were also concerned regarding the widespread failures to follow procedures identified in the report, but the Committee accepted that the earliest schemes were 7/8 years old and that the internal management and control of capital projects was now significantly more robust. Members also questioned the position regarding the four projects which had been managed by external agencies, and the extent to which any claw-back in relation to these schemes would revert to the City Council. Officers reported that the Council was supporting these agencies with project closure processes to mitigate any potential risks.

Welcoming the removal of the risk associated with the earlier phase of ERDF schemes the Chair thanked all those concerned for their work in securing this outcome. The Committee was confident that the issue had been and continued to be addressed with vigour in terms of improved systems and clearer management accountability, nonetheless, the officers were requested to submit a further report when the detailed investigation of 2000/2006 ERDF programme schemes is complete to enable the Committee to follow the process through to conclusion and to ensure that lessons learned find proper expression in revised processes and control systems.

Decision

1. To welcome the closure of the 1997/99 ERDF audit by the European Commission and the confirmation from the Government Office North West that there will be no claw-back liability on any of the projects for which the City Council is responsible, and to thank the officers and partners involved in securing this outcome and the removal of the previously identified risk from the Corporate Risk Register.
2. To note the on-going work in relation to the systematic review of scheme files for future phases of ERDF audit aimed at minimising on-going risk in the Regeneration Business Plan, and the undertaking to report further to the Committee in March 2008 when the further review is completed. The officers requested to include in that report an assessment of the resource implications involved in undertaking this exercise.

AS/07/21 Internal Audit – Quarterly progress report

The Committee received a report of the City Treasurer on the work of the Internal audit Service between July and September 2007, and the delivery of the 2007/2008 Audit Programme.

Referring to the continuing difficulties in recruiting and retaining staff within the Internal Audit Section, members noted the proposals to engage external resources until December 2007 to ensure that the Internal Audit Plan was delivered, members were concerned that this temporary solution did not develop into a longer term arrangement. Officers outlined the arrangements in hand to ensure that the Audit Plan was delivered in full including a review of internal efficiencies to identify the scope to introduce more junior staff directly in audit work. Officers also reported on benchmarking work with Greater Manchester neighbours and core cities to compare remuneration rates for internal audit staffs.

Members also highlighted issues regarding the variable performance of Council departments in implementing recommendations from internal audits. The Committee was informed that in some cases these recommendations were delayed pending service restructuring though in other cases the City Treasurer acknowledged that pressure needed to be exerted at Department Management team level.

Decision

1. To note the audit activity during this quarter.
2. To note the continuing difficulties in relation to staff recruitment and retention within Internal Audit, to note also the short term measures proposed to engage external resources to deliver the 2007/2008 Audit Plan, and to support any measures that enable Internal Audit to function as a fully resourced Unit.

AS/07/22 Further developments within Risk Management Programmes

The Committee considered a report of the City Treasurer informing the Committee of further developments within the overall development of risk management systems and structures, specifically in terms of a further refresh of the Corporate Risk Register and the annual review of the Risk management Strategy and Policy. The Committee was also informed of the outcomes of the recent Audit Commission review of risk management arrangements, highlighting the way that these were being addressed through the risk management programme

Decision

1. To note the progress made in the further development of risk management as an embedded mainstream management function within the Council with clear linkages to the business planning process.
2. To note the degree to which the Council has responded to the recommendations of the Audit Commission from their review of risk management arrangements.
3. To endorse the newly refreshed Corporate Risk Register and the new Risk Management Strategy and Policy, and, in doing so, to recognise that the strategy is not just about financial probity but also about the delivery of corporate objectives and positive outcomes that benefit the people of Manchester.
4. To request that future progress reports are submitted to each meeting of the Committee and that any changes in the risk status of individual elements is highlighted for the Committee.

AS/07/23 Annual Accounts 2006/2007, Letter of Representation and District Auditor's Annual Governance Report

A report was submitted informing members of adjustments to the annual accounts for 2006/07 and seeking approval and acknowledgment of the Letter of Representation to the District Auditor.

A table of further minor amendments was tabled at the meeting. The City Treasurer explained that many of the changes to the accounts reflected changes in internal accounting arrangements and also reflected events since June when the draft accounts were first presented to the Committee. Overall the changes resulted in increased reserves in the Revenue Budget and Housing Revenue Account. Funds initially held back in relation to the potential claw-back of ERDF grant had now been released back into the Capital Programme.

The District Auditor presented his report on the accounts and outlined the key messages that would form his statement on the accounts in due course. He recognised that positive and constructive work by the Council's officers gave confidence that the authority had measures in place for effective internal accounting control.

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Members raised questions regarding (a) the Business Incentive Grant (b) procedures for the writing-off of Council Tax arrears, and (c) proposed testing of Single Person Council Tax discount claims. Responding, the City Treasurer confirmed that (a) the Business Incentive Grant was currently a on-off payment at the present time, and (b) that a system of sample checking was to be implemented in relation to Council Tax write-offs. Responding in relation to item (c) the District Auditor indicated that he had suggested that the Council should make better use of all available information to cross check claims for single person discounts, including the possibility of selective home visits.

In relation to Council Tax collection the Executive Member for Finance and Human Resources drew attention to the improving performance on Council Tax collection and the relatively modest level of write-offs involved. The officers should be supported in pursuing Council Tax collection with rigour.

Decision

1. To agree the amendments made to the annual accounts for 2006/7 as set out in the report and tabled at the meeting.
2. To approve and acknowledge the Letter of Representation attached to the report.
3. To thank Mr Clive Portman for his work on behalf of the Council as District Auditor and to wish him well for the future.

(Councillor Trotman declared a person interest as a member of the Board of Northwards Housing)