

## **Audit Committee**

### **Minutes of the meeting held on 30 September 2010**

Present: Councillor Watson – In the Chair  
Councillors Clayton, Morrison, Swannick, Trotman and Wheale.  
Co-opted Members Mr J Tench

Also Present:  
Sarah Howard and Gavin Blackstone (Grant Thornton)

Apologies: Councillor Sandiford

#### **AC/10/35 Urgent Business**

##### **Decision**

To note that the Chair had agreed for the Committee to receive an update on the implications of the abolition of the Audit Commission and the future arrangements for audit.

#### **AC/10/36 Minutes**

##### **Decision**

To approve as a correct record the minutes of the meeting held on 24 June 2010.

#### **AC/10/37 Update on the Future Arrangements for Audit**

Grant Thornton provided the Committee with an oral update on the abolition of the Audit Commission from April 2012, on the consequences of that for the Council's audit arrangements, and on the likely future role of the National Audit Office in local authority audits. The existing audit arrangements would continue to operate for the 2010/11 and the 2011/12 annual accounts. After then it was anticipated that the Council would be free to appoint its own auditors.

The Committee discussed some of the factors that might have a bearing on the future procurement of audit services and the desire for that procurement to incorporate the needs of Council and of the city.

##### **Decision**

To note the report and to ask the City Treasurer to bring forward a report on the local issues that might pertain to the future procurement of audit services by the Council.

#### **AC/10/38 Annual Accounts 2009/10 and Letter of Representation**

The Committee considered the final audited accounts for the Council for 2009/10,

along with the report from the External Auditors, Grant Thornton, to those charged with governance.

The report of the City Treasurer set out the non-trifling amendments made to accounts since the Committee had considered them at the previous meeting (Minute AC/10/34). Three amendments were reported: two related to adjustments to the Council's balance sheet, and the third was an amendment to the group accounts. These amendments were approved.

Two documents were tabled at the meeting: a revised list of reserves (amending page 68 of the accounts presented to the meeting); and a revised version of page 76 including a further post-balance sheet event relating to a housing stock transfer. These changes were noted by the Committee.

The Committee also received and considered the Annual Report from the Council's external auditors, Grant Thornton. The purpose of that report was to highlight for the Committee the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2010.

The auditors anticipated giving an unqualified opinion on the Council's financial statements, following approval of the accounts by the Committee. The auditors were also pleased to report that they also proposed to issue an unqualified Value for Money conclusion. The auditors commended the Council for the improvements made to the financial statements compared to the previous year and were able to report that the recommendations made the previous year had been implemented, improving the quality of the 2009/10 financial statements.

The Committee examined the detailed recommendations made by the auditors as set out in Appendix C of their report, along with the Council's response to those. In the recommendation relating to the Mental Health Pooled Budget members were concerned about the potential risks involved in the pooling of budgets and called for more work to be done in relation to this.

Having considered the report of the City Treasurer and the auditors, the Committee acknowledged the Letter of Representation to the auditors that had been drafted by the City Treasurer and approved the signing of the letter.

## **Decisions**

1. To agree the amendments made to the annual accounts for 2009/10.
2. To acknowledge the letter of representation which would be signed by the City Treasurer.
3. Recommend to the Resources and Governance Overview and Scrutiny Committee that it examine the operation and governance of the Mental Health Pooled Budget and how changes to the NHS will impact on that budget, and to ask the committee to report its findings back to the Audit Committee in due course.

### **AC/10/39 External Audit report to Those Charged With Governance**

The report of Grant Thornton had been considered along with the report of the City Treasurer for the above item of business.

#### **Decision**

To welcome the report.

### **AC/10/40 Project Management Review by the External Auditors**

Grant Thornton had undertaken a review of the Council's project management system and procedures, looking in particular at the project management controls for the Town Hall Transformation Programme. The review had found that the Council had robust project management processes in place for the transformation programme and that the Council was applying lessons learned from other large-scale projects. A number of areas of good practice had been identified by the review and the conclusion was that this was a very well run programme.

The review had identified three issues that Grant Thornton recommended should be addressed. At the meeting Grant Thornton amended one of the recommendations on these issues to read "The project timescale has only limited scope for slippage and the Council should ensure that it has moved out of the leased First Street accommodation, and back into the Town Hall extension, prior to the end of the lease at First Street." The Committee noted that amendment and welcomed the Council's responses to the three recommendations. The Committee also explored how the benefits of the transformation programme will be measured and realised by the Council. Members were appreciative of the benchmarking work that had been done prior to and at the start of the programme to allow the improvements and benefits to be captured and assessed. Members also requested that the risk register for the programme be reported to a future meeting of the Committee.

Members welcomed the assurance provided by the review and asked the Chair of the Committee to pass their thanks for such as positive review to the Council's officers managing the project.

#### **Decision**

1. To welcome the report and to ask the Chair to write a letter of thanks to the officers involved.
2. To request that the Strategic Director of Transformation present the Town Hall Transformation programme risk register to the Committee.

### **AC/10/41 Monitoring the Implementation of External Audit Recommendations**

A report was submitted by the Assistant Chief Executive (Finance and Performance) to update the Committee on the monitoring of the implementation of the recommendations made by the external auditors, Grant Thornton. This described progress made since the last report in June (Minute AC/10/23).

Grant Thornton explained that of the 16 recommendations referred to in the report as “implemented – subject to sign off by Grant Thornton” they had only been able to sign-off on 8, and the other 8 required further consideration. The Committee examined those 8 in turn and noted the explanations given in each case. One recommendation had been omitted from the report (1.3 on Partnership Working) and a revised copy of the list would be circulated to the Committee’s members, and is appended to these minutes.

A number of the recommendations that had not been signed-off related to ICT audits. In relation to these the Committee agreed to hold a special meeting jointly with the members of the Resources and Governance Overview and Scrutiny Committee to consider a report on the current state of the Council’s ICT management, governance, risks and audit findings. It was agreed that this meeting would be in early December, subject to a date being agreed by the Chair of the Committee. It was also agreed that all members of the Council should be also be invited to the meeting.

### **Decisions**

1. That the recommendations implemented and signed off by the auditors be removed from future monitoring reports.
2. That a special meeting of the Committee be convened to deal specifically with ICT matters, held jointly with the Resources and Governance Committee and inviting all members of the Council.

### **AC/10/42 Internal Audit Assurance Report**

The Head of Internal Audit and Risk Management presented a report on the internal audit work undertaken between April and September 2010, including a summary of the audit opinions issued in the year to date.

The Head of Internal Audit reviewed progress with the 2010/11 work programme. The audit plan for the year was now forecasting 190 audit outputs from internal audit. At the six-month point less than half of the work was complete or underway but he was confident that the audit plan for the year would be delivered.

Turning to the key matters in the audit reports issued, and the implementation of previous recommendations, the Committee considered the information presented for each directorate.

The Committee was provided with a clarification on the interpretation of the findings

for the audit of complaints handling and complains policy. The Committee was pleased to note that the opinion for North West Construction Hub High Value Framework was that full assurance could be given, the first 'full assurance' opinion given by the Head of Internal Audit and Risk Management. The officers involved were to be congratulated for this very welcome finding. Members sought assurance that the appropriate mechanisms and powers existed to ensure that audit reports were properly considered by school governing bodies.

In two areas of work the Members were concerned that about the tardy response to audit reports and recommendations: in the case of business continuity some of the recommendations remained to be implemented more than 12 months after the audit report had been published; and in the case of Gifts and Hospitality policy the management responses was still awaited to a draft report issued in February. In both cases the Committee asked that their concerns be relayed back to the appropriate officers. These matters would be considered again when the next report was presented, as would the recommendations made in relation to the Metrolink Phase 3a audit.

### **Decisions**

1. To note the report and welcome the progress being made on the implementation of audit recommendations.
2. To request that the Committee's concerns, that some recommendations on business continuity plan testing were still to be implemented, be relayed to the relevant Strategic Director.
3. To request that the Committee's concerns, that a response is still awaited on an audit report issued in February 2010 on Gifts and Hospitality policies, be relayed to the relevant Head of Service.

**Appendix 1**

Addendum to Minute AC/10/41 – Recommendation 1.3 on Partnership Working

Recommendation	Responsible Officer	Recommendation Implementation Date	Revised Date	Progress Update
1.3 Working together on community services integration as part of the Transforming Community Services (TCS) programme	John Harrop, Director of Manchester Community Health and the Transforming Community Services Programme, NHS Manchester	July 2010		