

Audit Committee

Minutes of the meeting held on 9 December 2010

Present: Councillor Watson – In the Chair
Councillors Barrett, Clayton, Morrison, Sandiford, Swannick and Trotman

Also Present: Mr G Blackstone (Grant Thornton)

Apologies: Councillors Akbar and Wheale
Mr S Downs and Mr J Tench

AC/10/44 Minutes

The Committee considered the minutes of the Audit Committee meeting on 30 September 2010. Members requested that the minutes be amended to record apologies for Councillor Sandiford and to correct the spelling of Councillor Trotman's name.

Decision:

To approve as a correct record the minutes of the meeting held on 30 September 2010 subject to the above amendments.

AC/10/45 Annual Audit Letter 2009 /10

The external auditors, Grant Thornton, submitted their Annual Audit Letter for 2009/10 for consideration by the Committee. The letter summarised the key issues arising from the auditor's work during the past year and brought to the attention of the Committee the significant issues they had identified.

The overall conclusion was that the Council had made a number of improvements in the past year and was continuing to make good progress on matters identified in previous years. The Review of ICT Governance had seen the implementation of some good practice initiatives but further progress still had to be made in some areas. The Committee noted that conclusion having considered the ICT plans in detail at its meeting on 2 December 2010 (Minute AC/10/43).

The Council had improved performance in the presentation of the Annual Accounts and in the extent of adjustments required. The Council had made a number of other improvements including strengthened data quality arrangements, its consideration of value for money, and embedding the Manchester Commissioning Model in the business planning process. Key actions for next year included continuing preparation for the implementation of International Financial Reporting Standards and updating agreements for the Mental Health Pooled Budget.

Members questioned the likely future ability of the Council to measure progress if there was a lack of comparative performance indicators after the Comprehensive Area Assessment was abolished. They sought assurance on how the Council would

be able to ensure that it was continually improving, whether other data were available, and whether the Audit Commission would still provide support tools for audit and inspection. The Committee learned that the Audit Commission intended to continue to produce tools for audit inspections in the short term. A new Value for Money Framework for benchmarking, based on measuring economic efficiency and financial resilience, would be available from the Audit Commission in 2011. Grant Thornton were still to consider how they would use this framework in their reporting to senior management and the Audit Committee, and the committee would be informed of this in the summer of 2011.

Overall, the Committee was satisfied that the letter provided assurance that the Council had improved in a number of areas in the past year and it made it clear what the issues were that the Council needed to address in the forthcoming year. Members congratulated the City Treasurer and his team.

Decision:

To note the Annual Audit Letter 2009/10

**AC/10/46 Implementation of External Audit Recommendations
Monitoring Report – September 2010 to December 2010**

The Committee considered a report of 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 September 2010. Mr. Blackstone explained that Grant Thornton was able to sign off four of the seven recommendations that were considered to have been fully implemented, subject to sign off from Grant Thornton. The three recommendations not yet signed off related to information security, key performance indicators for ICT, and strengthening links between Securing Our Shared Future and integrated commissioning between stakeholders. For each of these Grant Thornton had noted the progress made but was seeking further evidence that the measures were in place.

Members were concerned about the risk of ICT audit recommendations not being implemented particularly those related to the recruitment to key posts in the ICT team and the cost of implementing a new structure when the overall ICT budget may be reduced. In relation to these recommendations, the Committee felt that concerns needed to be addressed and they resolved to invite the Chief Information Officer to the meeting in March 2011, when the Committee considered the next progress report on the implementation of external audit recommendations.

The Committee discussed the format of the report and suggested that further clarification be given to the dates for implementation where recommendations were marked 'ongoing'. They also asked for signed off recommendations to contain the specific date they were signed off by Grant Thornton. The City Treasurer agreed to review the format of the report with the Assistant Chief Executive (Finance and Performance) in light of these comments.

Decisions:

1. To note the report and welcome the progress being made on the implementation of audit recommendations.
2. That the recommendations implemented and signed off by the auditors be removed from future monitoring reports.
3. That the Chief Information Officer attends the Audit Committee in March to address the Committee's concerns about any risks to external audit recommendations being implemented.

AC/10/47 Treasury Management Interim Report

A report of the City Treasurer was submitted on Treasury Management activities during the first six months of 2010/11. The report explained the position of the Council's portfolio as at 30 September 2010, a review of the economic conditions and the Council's compliance with treasury limits and prudential indicators.

The City Treasurer explained that the cost of long-term debt was significantly higher than the return available from short-term investments so the Council has followed a strategy of borrowing internally using cash backed reserves. In order to achieve a higher level of security in investing the Council's money, a series of measures had been introduced including limiting investments to UK institutions and restricting deposits to as short a time period as available.

The Council has borrowed £70m of new Public Works Loan Board (PWLB) in this financial year, taken in advance of need to take advantage of low interest rates being offered by the PWLB while they were still available. This has reduced the overall cost of the loans to the authority. The Council also temporarily repaid a loan of £50m to the Royal Bank of Scotland as part of a restructure exercise by the lender. This loan would be retaken at the end of December but the break provided a significant saving of £535,000 to the authority as no interest was incurred on the loan during this period.

Overall, members were satisfied that the current strategy for borrowing and lending reflected the strong position of the Council in enabling interest costs of borrowing to be minimised and making low risk short term investments with maximum returns.

Decision:

To note the report

AC/10/48 Internal Audit Quarterly Assurance Report 2010/11

A report was submitted on the internal audit work undertaken between April and November 2010, including a summary of the audit opinions issued in the year to date. The report also reviewed progress with the 2010/11 internal audit work programme.

The Head of Internal Audit and Risk Management was confident that the audit plan for the year would be delivered. The original audit plan forecast 164 audit outputs for the year. The audit plan for the year was now forecasting 186 audit outputs from internal audit as a result of additional reports issued and urgent work identified in the year. This figure included 37 school audits planned for the period December 2010 to March 2011.

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 noted that Children's Services were doing well with 86% recommendations already implemented. The Head of Internal Audit updated members on the status independent school audits informing members that King David School had now provided significant assurances and Internal Audit were satisfied.

On 15 November 2010, the Government announced that the Financial Management Standard in Schools was being withdrawn with immediate effect. Schools were not required to report against this standard but the Head of Internal Audit had advised schools to continue this assurance process to avoid gaps in information until the new simpler assurance process is introduced for 2011.

In Adult Services, members were concerned at the limited assurance provided over the effectiveness of financial controls in respect of residents payments due to lack of adequate financial information. Members noted the importance of obtaining complete and accurate information to ensure effective administration of payments and suggested that the council should look at ways of making sure that the necessary information was collected at the right time to avoid mistakes later in the process. The Head of Internal Audit said that the focus was now on establishing simple controls to address these issues.

Members noted the progress made by each directorate, in implementing a large number of recommendations from internal audits with a reduction in the number of outstanding recommendations reported since the last report to the Committee in September.

Decision:

To note the Internal Audit Assurance Report for the year to November 2010.

AC/10/49 Audit Commission National Studies

The Committee considered a report of the Governance and Scrutiny Support Unit, which provided members with a list of recent Audit Commission Studies that related to Local Government.

Members noted upcoming national studies, in particular the proposed 'Review and Challenge in Councils' study due to be published in spring 2011. It was agreed to consider a more detailed summary of this report at a future meeting of the Committee, after the report was published.

Decision:

1. To note the report
2. To consider a more detailed summary of the Audit Commission's 'Review and Challenge in Councils' report at a future meeting of the Committee.