

Audit Committee

Minutes of the meeting held on 15th January 2009

Present:

Councillor Watson – In the Chair
Councillors Clayton, Isherwood, Morrison, Trotman and Wheale.
Mr A. Caldwell and Mr J. Tench

Also Present by invitation:

Councillor McCulley.

AC/09/1 Minutes

In relation to Minute AC/08/45 the Committee agreed that the induction training session would take place on 26th February 2009.

Decision

To approve the minutes of the meeting held on 4th December 2008 as a correct record.

AC/09/2 Independent Members

The Chair welcomed Mr Andrew Caldwell and Mr John Tench to their first meeting of the Committee.

AC/09/3 External audit recommendations – quarterly monitoring report

A report of the Head of Corporate Performance was submitted presenting a quarterly progress report on the implementation of outstanding recommendations from external audit work across the Authority by the Audit Commission and Grant Thornton (the Council's auditors) during the last three audit years. Fourteen external audit reports were issued during the period, of which four contained no recommended actions. Progress against implementing recommended actions within the remaining reports was considered by the Committee in September 2008 and a further update in relation to those actions was now reported.

Reference was made to the external auditor's report to those charged with governance which contained recommendations that needed to be monitored as part of this exercise and should be included in the report, and Grant Thornton cited a number of other important review reports that should also be included in the interests of completeness. Independent members indicated that it was of equal importance for the Committee to be advised of the outcomes that have satisfactorily been dealt as well as those that remained outstanding, but in relation to those that were outstanding they considered that an impact column should

be included in the monitoring report that would enable the Committee to make a judgement as to the level of risk/potential impacts involved in those elements of past reviews that remained outstanding.

Officers then reported in detail on the progress made against the 16 recommendations made in relation to risk management arrangements, indicating that thirteen had been implemented in full and that those remaining would be completed by the end of March and constituted no significant risk to the Council.

Decision

To note the report, to request the officers to incorporate all external audit recommendations in future reports so that the Committee has a comprehensive view of progress across the piece, and to incorporate sufficient information to enable the Committee to be assured that there is no inherent risk to the Council in relation to those recommendations that have yet to be implemented.

AC/09/3 Internal Audit Assurance update

A report of the City Treasurer was submitted providing the quarterly operational and assurance update from the Council's Internal Audit Service and an update on progress made in the implementation of audit recommendations.

The report provided an update of internal audit activity for the period 1 October 2008 to 31 December 2008, including (1) an update of key issues in respect the operational delivery of the service (2) a summary of assurance opinions issued in assignment reports in the period, and (3) the Implementation Condition Report summarising progress made across the Council in the implementation of internal audit recommendations.

In the context of resourcing, the Committee noted that staff absences at senior levels of the Internal Audit Team within the period had impacted on the ability of the Interim Head of Internal Audit to deliver some of the strategic development points set out in the project plan. At the end of December a member of staff moved on secondment to Adult Social Care, for an initial period of six months and another team member tendered their resignation, cumulatively this meant that 120 days of planned, available time would be lost in the period to 31 March 2008 and actions to address this were reported. The Committee noted that 45% of the planned time to be spent on audits had been so spent in the six months to 31 December 2008. Delivery of the annual plan overall remained at risk but specific actions were being taken to address this including (a) the purchase of 200 days of external support through the financial framework contract to assist in delivery of the FMSiS assessments at schools (b) use of 80 days of planned external support from Salford Computer Audit Services (Salford City Council) for the delivery of IT audit reviews (c) possible secondment of staff from other Council directorates to support delivery of the plan; and (d) use of the financial framework contract for the delivery of a small number of other reviews.

Independent Members challenged whether there was a realistic chance of completing the Audit Plan in the remainder of the current financial year, and, that if not, whether officers were prioritising those elements of the plan that represented the greatest risk. It was suggested that the Committee needed to be appraised in future reports of the potential risks involved in not completing all elements of the Plan. Responding, the City Treasurer

indicated that the format of reporting on the implementation of the Plan was still developing and he embraced the presentational issues highlighted by members. In terms of the cost implications in relation to the interim measures taken to commission additional resources under the Financial Framework Contract, he assured the Committee that these costs would be contained within the Corporate Services budget for 2008/2009, and in response to a further request by members he undertook to provide a comprehensive cost breakdown for the Internal Audit function for the 2008/2009 financial year to a future meeting.

Members also noted another key change in the team by the appointment of an Acting Lead Auditor for fraud and investigations for a period of three months from 1 December 2008 to lead Internal Audit's work in respect of proactive fraud investigation, raising awareness of fraud risks across the Council and the coordination of reactive investigation work.

Members returned to consider the implications from the theft of laptops reported to the previous meeting (see Minute AC/08/48). There were two issues here that concerned members (a) the resources totalling 40 days of audit time that had been redirected to the investigation of the theft and protection of Council staff involved in the loss of confidential data, and (2) what wider lessons had been learned from the incident in terms of the security of personal data held by the Council, and how this would find expression in the development of Council-wide data protection/security strategies. The Committee requested officers to report to a future meeting on the risk management issues associated with data protection within the Council.

The Committee had previously expressed concerns regarding the implementation by Heads of Service of recommendations arising from internal audit reviews. Internal Audit collated information as to the status of implementation and validated management confirmations and Members noted that a revised process had been introduced from 1 October 2008 whereby Internal Audit requested updates and follow up management actions on a quarterly basis with a view to this information being regularly reported to SMT and subsequently to the Audit Committee. Internal Audit only followed up recommendations that were less than 12 months past the agreed date for action and any recommendations that had been outstanding for longer than were referred back to Heads of Service and SMT. The Chair indicated that problems had existed for some time in terms of the timely implementation by Heads of Service of recommendations from internal audit reviews, and the report indicated that the problem persisted either in terms of failure to implement or failure to advise Internal Audit of actions taken. She indicated that unless information was provided that recommendations had been implemented the Committee would assume that they had not, and would call Heads of Service to account direct to the Committee.

Members highlighted the importance of the audit of FMSiS arrangements in schools being completed given the increased financial autonomy of schools and the need to ensure that governing bodies had appropriate mechanisms in place to satisfy audit requirements and implement audit recommendations. The Committee received assurances that all recommendations from school audits since 2006/07 were subject to detailed follow-up.

Decision

1. To (a) note the report and the challenges presented in terms of completing the Internal Audit Plan for 2008/2009 and the management actions taken to endeavour to complete the Plan within existing budget provision, and (b) reinforce the importance of the Committee being fully apprised in future reports as to the potential risks involved in not

completing all elements of the Plan.

2. To request the City Treasurer to present a comprehensive cost breakdown for the Internal Audit function for the 2008/2009 financial year to a future meeting.
3. To reiterate concerns in relation to the problems that have existed for some time in terms of the timely implementation by Heads of Service of recommendations from internal audit reviews, or their failure to advise the Internal Audit Unit of actions taken, and to give notice that unless information is provided that recommendations have been implemented the Committee will assume that they have not and will call Heads of Service to account direct to the Committee.
4. To request officers to report to a future meeting on the risk management issues associated with data protection within the Council.

AC/09/4 Grants – audit report

The Committee considered a report by Grant Thornton, the Council's auditors on an audit of grant claims and grant returns in 2007/2008.

The report found that overall the Council performed well in the submission of claims and returns in accordance with prescribed deadlines. Four claims were submitted late for audit and one claim remained outstanding. The Council prepared accurate claims and returns in most instances, however seven claims required amendment following audit.

There was scope for some improvement in the accuracy and presentation of grant claims and an Action Plan had been drawn up setting out how this will be achieved.

Following agreement with Council officers, 7 claims required amendment, and 4 claims were qualified. Audit amendments resulted in an overall net increase in income of £816k, primarily due to a significant reduction in payments for the Pooling Housing Capital Receipts return.

Decision

To note the report which demonstrates a high level of performance and to welcome (a) the action plan to deliver further improvements in performance, and (b) the appointment of Grants Coordinator.

AC/09/5 Manchester Improvement Plan

A report of Grant Thornton, the Council's auditors was submitted on the outcome of the External Audit Review of the activities of the Manchester Improvement Programme.(MIP)

The review concluded that the MIP had been successful in helping the Council deliver over £13m of efficiency savings, to March 2008, through improved procurement and service improvements through redesign in key areas, such as education services. The MIP continued to identify and monitor the delivery of an ambitious savings programme and a substantial number key corporate improvement projects. MIP's workload is increasing as it became more involved in supporting the Council in a number of long term and temporary

projects. The absence of an integrated strategy for improvement and for the MIP has contributed to some delays in progressing key projects, including customer relationship management (CRM) and some back office Service Improvement Programmes and the report highlighted recent improvements made in the business planning process to integrate MIP efficiency targets with service area targets so that service heads have autonomy and responsibility for driving and shaping improvement and efficiency. A Service Performance Framework approach had recently been designed by MIP to further develop consistent inclusion of improvement and efficiency into the annual business planning process used by all Council services, incorporating consideration of use of resources and annual governance statement requirements and, whilst in the early stages, this was regarded as a positive development for the Council.

Members highlighted the difficulties involved in auditing such a rapidly moving agenda, the elements of that agenda that had been achieved and the risk elements of any elements that had not yet been achieved. Grant Thornton acknowledged that the nature of the Service's work did not lend itself to traditional audit processes but the review had amply demonstrated that significant progress had been demonstrated towards the ambitions of delivering increasing efficiency savings, striving for CAA 4 star status; delivering customer expectations, including achieving the Government standard on Customer Service Excellence; improve its use of information, and delivering its strategic objectives.

In view of the expansion of MIP activity and the shift in focus, the Committee noted that the review had concluded that it was timely for the Council to review the management arrangements for the MIP to ensure (a) strategic and annual planning of MIP activity and resource is performed, so that the Council can be assured that finite MIP resources are being deployed to most effectively support the Council's strategic objectives (b) reporting of progress against plans is sufficiently frequent, comprehensive and targeted at the right management and member audience to enable prompt and well informed decisions to be made, and (c) that the value that is being added by MIP is periodically and formally assessed.

Decision

The Audit Report recognises the positive contribution MIP has made to achieving service improvements and efficiency savings and has made a number of recommendations in relation to the future focus and monitoring of outcomes of MIP activities. The Committee notes that Management has agreed with the recommendations of the Audit Report and will be undertaking actions to satisfy the specific recommendations made.

AC/09/6 Work Programme – March 2009- March 2010

The Committee considered the draft work programme for the period March 2009-March 2010

Decision

To approve the forward work programme.

AC/09/7 Paul Hughes

The Committee thanked Paul Hughes of Grant Thornton for the contribution that he had made to the work of the Committee and extended best wishes to him in his future career.