

## **Audit Committee**

### **Minutes of the meeting held on 25<sup>th</sup> June 2009**

**Present:** Councillor Watson – In the Chair  
Councillors Clayton, Isherwood, Morrison, Trotman, Swannick, and Wheale  
Mr Andrew Caldwell and Mr John Tench – Independent Members.

**Also Present:**

Sarah Howard, Gavin Blackstone and Negat Sultan, Grant Thornton

### **AC/09/23 Minutes**

With reference to Minute AC/09/14, Sarah Howard stated that their report was a progress report rather than an interim one. A member suggested that the second sentence of the report should be amended to read

*Gavin Blackstone reported that the Councils recent IT difficulties had delayed the finalisation of a number of elements of work and that they would return to complete this at the beginning of June, however, the Committee was informed that this work relates to core financial systems and that the finalisation of the 2008/09 accounts would not be delayed.*

### **Decision**

To approve as a correct record the minutes of the meeting held on 22nd May 2009 subject to the above amendment.

### **AC/0924 Annual Accounts 2008/2009 and Annual Governance Statement**

The Committee considered a report of the City Treasurer presenting the Annual Accounts for 2008/2009, and a report of the Chief Executive, City Treasurer and City Solicitor in relation to the draft Annual Governance Statement. Updates in relation to individual figures within the accounts were tabled at the meeting and adopted by the Committee.

The Committee also considered a report by Grant Thornton, the Council's Auditors that summarised their findings from an interim accounts audit, and presented a proposed action plan in relation to audit work.

The Council's Auditors (Grant Thornton) reported the headline messages from their interim audit of the final accounts. A report would be presented to the September meeting on the quality and coverage of internal audit work, The report contained many positive messages about the internal audit process, and the improved internal accountancy arrangements for producing the annual accounts evidenced in 2008 had been sustained, and there were positive messages also in the area of corporate governance.

Previously, the Committee had met informally to receive a presentation by the City Treasurer's officers to improve members' understanding of the structure and assembly of the accounts, which together represented one of the most complex sets of public authority accounts in the UK.

Members noted that the revised budget for 2008/9 contained an assumed contribution from the General Reserve of £8.2m, the actual outturn position is for a contribution from the General Reserve of £1.4m representing an under spend across all budgets of just over £6.8m.

Issues of detail, particularly in relation to the treatment of capital spend, were highlighted by members and there was some discussion about the difference between accounts kept for a commercial enterprise and those of a local authority. Some members were of the view that the introduction to the accounts (written by the City Treasurer) should be less retrospective and more about future intentions; other members were dubious about whether this would be of any benefit as the plans and aspirations for the City were well documented elsewhere.

Finally it was noted that the Audit Committee would in future receive regular updates on the progress of the Council's Treasury Management Strategy.

### **Decision**

1. To commend the draft Annual Governance Statement 2009/2010 to the Council.
2. To approve the Annual Accounts 2008/2009 as amended, under the powers delegated to the Committee in the Council Constitution, and to authorise the Chair to sign them to enable them to be submitted by the 30th June deadline.
3. To request officers to include in future reports additional information in relation to capital and future interest payments.
4. To request officers to circulate to members of the Committee the Annual Report and Accounts for New East Manchester and the report recently considered by the Resources and Governance Overview and Scrutiny Committee on Treasury Management.

Councillor Isherwood declared a personal interest as a Board Member of Southway Housing  
Councillor Trotman declared a personal interest as a Board Member of Northwards Housing  
Councillor Swannick declared a personal interest as a Director of Eastlands Housing, Director of Manchester Science Park, Director of New East Manchester Limited and Chair of GMWDA.

### **AC/09/25 Draft Revised Code of Corporate Governance and Follow-up audit of the Council's corporate governance arrangements**

Reports were submitted a) to inform the Audit Committee of the proposed revisions to the Council's Code of Corporate Governance and seeking comments on those

revisions, and b) a report of the Council's Auditors (Grant Thornton) updating management and the Committee on the progress the Council has made in implementing recommendations arising from our 2007-08 audit of the Council's governance framework.

Committee was informed that the Draft Revised Code of Corporate Governance had been considered by the Standards Committee and the Resources and Governance Overview and Scrutiny Governance Sub Group. Members referred to the six core principles of corporate governance detailed in the report and questioned the accompanying reference to the Nolan Committee seven principles of public life. Reference to the two sets of principles was confusing in that it refers to six core principles and goes on to refer to the Nolan seven principles of conduct which may lead to the impression that the Council has condensed the Nolan principles into six principles. Officers agreed to clarify that the six core principles referred to are the CIPFA/Solace principles that form the basis of the Code and make it clear that the seven Nolan principles underpin each of the six core principles.

Members referred to the monitoring and review section of the Code and noted that it was inconsistent in that some committee's responsibilities were summarised and others set out in detail. The Code needs to make it clear who has responsibility for what. Officers agreed to clarify this with reference to each committee's terms of reference regarding governance. Any proposed revisions to responsibility and monitoring other than those set out in the committee terms of reference are likely to require proposed amendments to the constitution. If this were to be proposed the work could be taken up by the officer governance working group.

Referring to the follow up Audit report members noted the progress made and agreed to group development rather than on an individual basis. Members were keen to repeat the self-assessment against good practice standards previously undertaken and requested officers facilitate this as soon as possible. It was felt that additional information should be included in future reports to identify what progress has been made.

### **Decision**

1. To agree the Draft Revised Code of Corporate Governance with the recommended amendments in respect of the principles and the section on monitoring and review and recommend it to Council for adoption.
2. To request officers circulate the Revised Code of Corporate Governance to all members of the Council following adoption.
3. To request that as soon as possible officers make the necessary arrangements for members to repeat the self-assessment.

### **AC/09/26 Internal Audit Plan 2009/2010**

Consideration was given to a report of the City Treasurer and Interim Head of Audit and Risk providing Members with the Council's Internal Audit Plan for 2009/10.

The Committee was informed that more proactive work would be undertaken in relation to reducing the opportunity for fraud to occur. It was suggested that this be added to the Work Programme so that members could note progress being made.

### **Decision**

1. To note the Internal Audit Plan 2009/2010.
2. To add an item to the Work Programme relating to progress reports concerning the anti fraud measures being undertaken.

### **AC/09/27 Internal Audit Assurance**

Consideration was given to the City Treasurer and Interim Head of Audit and Risk's Internal Audit Annual Assurance report for 2008/09.

Reference was made to the 15 of the 88 outstanding recommendations from 2007/08 that were classed as high risk and the fact these have not yet been implemented. The Committee, led by the Chair, felt that the situation was unacceptable and that a report should be submitted to the next meeting on progress made in their implementation.

### **Decision**

1. To approve the report.
2. To note that the report on the Review of the Effectiveness of the System of Internal Audit will be submitted to the next meeting of the Committee.
3. To submit to the next meeting a short report on the outstanding high risk recommendations as detailed above.

### **AC/09/28 Work Programme**

#### **Decision**

To note the work programme.

### **AC/09/29 Service interruption**

Consideration was given to a report of the Deputy Chief Executive (Performance) and the Director of Manchester Improvement Programme on the impact of a computer virus earlier in the year and its impact on the Council. The report identified how the incident was managed within the Corporate Business Continuity Framework in such a way that there were no significant failures in the provision of services to the public. The response to the incident had been reviewed and lessons learnt had been

identified and were now being taken forward. The report provided an overview account of this ICT virus incident and drew out key recommendations to improve both corporate business continuity and our ICT network in order to enhance Council resilience and thus strengthen the capacity to respond to any further incidents in the future.

Officers responded to detailed questions from members.

### **Decision**

To note the response to the ICT virus and the recommendations set out to improve future resilience.

### **AC/09/30 Exclusion of public**

A recommendation was made that the public be excluded during consideration of the next item of business.

### **Decision**

To exclude the public during consideration of the following items which involved consideration of exempt information relating to the financial or business affairs of particular persons, and public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **AC/09/31 Review of ICT**

(Public Excluded)

Consideration was given to a report of the Council's Auditors (Grant Thornton) that highlighted the key issues arising from their audit of the Council's key information systems, in preparation for the audit of the Council's 2008/09 accounts. The review was conducted as part of the normal audit planning procedures, to arrive at an assessment of the risk that controls fail to prevent material error or fraud. The Committee noted that the assessment is designed to establish the feasibility of placing reliance on internal controls in order to reach an opinion on whether the Council's 2008/09 accounts present fairly its financial position.

Members highlighted the importance that ICT and the ICT Strategy had for the future 'transformation' of services and were concerned that the management responses to the review points made did not appear to have timelines that reflected the urgency of the action needed.

### **Decision**

1. To note the report and the key recommendations detailed in the action plan.

2. To request a further report to the Committee in November to review all progress made with end dates so that the Committee has assurances that all recommendations are or have been dealt with. The report will include comments of responsible officers, the Head of Internal Audit and, if feasible, a view from the External Auditor. Any outstanding issues will be highlighted with details of any impact if the recommendations in the report are not fully implemented.