

## **Audit Committee**

### **Minutes of the meeting held on 2<sup>nd</sup> April 2009**

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

**Also Present:**

Councillor Fairweather, Assistant Executive Member for Finance and Human Resources.

James Foster, Audit Commission  
Gavin Blackstone, Grant Thornton

### **AC/09/8 Minutes**

Members received assurances that (a) in relation to Minute AC/09/3, satisfactory progress had now been made against all 16 recommendations made by the Council's auditor in relation to risk management. Members noted that a training course was currently being cascaded to managers throughout the Council, and the Committee considered that there would be benefits for the same training to be provided to members of the Committee, and (b) on the impacts of the Acting Lead Officer on fraud in terms of improving intelligence and moving to a more pro-active approach to fraud detection across the Council.

#### **Decision**

To approve as a correct record the minutes of the meeting held on 15<sup>th</sup> January 2009.

### **AC/09/9 Audit Inspection Letter 2007/2008**

The Committee considered the Annual Audit and Inspection Letter for the 2007/2008 audit, noting that this would be last occasion that such a report would be submitted.

Gavin Blackstone and James Foster introduced the report to the Committee, highlighting areas that required careful monitoring and signposted challenges that would face the Council going forward, specifically in terms of moving to the New International Accounting Standard given the complexity of the Council's suite of accounts. They also recognised many areas where the Council was well positioned to address change including improved performance by the Audit Committee in its challenge role.

Mr Foster then went on to comment on the Council's CPA scores that demonstrated that overall the Council was deemed to be 'performing well', albeit that there were well documented areas where significant improvements still needed to be made. He also highlighted the challenges that the

Comprehensive Area Assessment (CAA) would present, and the impacts of the economic downturn for the Council and its partners.

Members raised issues about –

- (a) areas where the CAA would assess the Council's performance in contributing to the achievement of city region targets on issues such as crime and alcohol strategies. Officers indicated that mechanisms were in place that would disaggregate performance by constituent authorities and partners in terms of taking such strategies forward.
- (b) the extent to which the Council's auditors were satisfied that tangible improvements had been achieved in relation to internal audit functions. The Council's auditors considered that positive progress had been made in realigning internal audit processes that would bring benefits in the future, and that this had also been reflected in the improved functioning of the Audit Committee in terms of its challenge role. Whilst the auditors were happy to offer a view on this it was ultimately the duty of the Audit Committee to be assured that the systems of internal control within the Council were fit for purpose.
- (c) The timeliness of the audit and inspection letter being produced in March was also challenged and the Committee was advised that under the CAA arrangements the issues letter would be produced in November/December each year.
- (d) Preparation for the implementation of the CAA inspection regime. In this context the Committee highlighted the need for members of the Committee to receive training about the implementation of CAA in Manchester and to consider the potential benefits of developing overarching audit approaches in key areas of activity with the audit committees of strategic partners.

## **Decision**

1. To note the Audit Inspection Letter and to thank the Council's auditors for the informative presentation of the key issues.
2. To note that the Council's auditors consider that positive progress has been made in realigning internal audit processes that will bring benefits in the future, and that this has also been reflected in the improved functioning of the Audit Committee in terms of its challenge role.
3. To request that members of the Committee to receive detailed training during April/early May about the implementation of CAA in Manchester.
4. To request the Deputy Chief Executive (Performance) to advise the Committee on the potential benefits of developing overarching audit

---

approaches in key areas of activity with the audit committees of strategic partners as part of the audit approach to CAA.

Councillor Trotman declared a personal interest in this item as a board member of Northwards Housing.

### **AC/09/10 2008/2009 Audit – progress report**

The Committee considered a report from the Council's external auditors outlining progress against key areas of work flagged up as part of the 2008/2009 audit and a number of issues that would be reported on in more detail at the May meeting.

Members sought assurance that both the external and internal audits were on track for completion and that the risk element associated with the potential claw-back of school balances would be a specific focus in the audit approach for 2009/2010 to be reported to a future meeting.

#### **Decision**

To note the report.

### **AC/09/11 Emergent Internal Audit Plan 2009/2010**

The Committee received a report from the Interim Head of Internal Audit providing Members with details of the emergent Internal Audit Strategy and Internal Audit Plan for 2009/10 and inviting comments on the proposed direction and process for the development of the emergent Internal Audit Strategy and annual Internal Audit Plan which will be brought back for approval in May.

The report highlighted the objective for internal audit to deliver a 'best in class audit service as set out in the vision statement. To achieve this further work was needed to clarify the objectives, outcomes and performance measures that will be developed to ensure the achievement of this vision.

The Head of Internal Audit proposed an annual programme of audit work as well as assurance obtained by other means, focused on four main types of audit:

- Strategy audits.
- Business Unit audits
- Risk-based audits.
- Compliance audits.

It was not considered cost effective to obtain audit coverage of all strategies, business units and risks each year but he proposed that all strategies and business units across the Council would be reviewed within a reasonable timescale. In addition the Head of Internal Audit will consider any issues identified through fraud and corruption or developing systems work insofar as

---

they impact on the effective operation of governance, risk management or internal control within the Council.

Members were concerned to ensure that risk management remained a high profile within the Audit Plan and within the Council's planning processes overall. The Head of Internal Audit indicated that he proposed to work closely with the Council's Risk Manager and to engage with Heads of Service to ensure that known and emerging unregistered risks from the corporate and service risk registers are considered in annual audit planning. Assignment audit planning would embrace consideration of key risks and the focus of audit work would be tailored to ensure that local and national issues and risks were addressed.

The Committee was also keen to establish that the audit function was properly resourced and that contingent arrangements were in place in the event that staffing difficulties became an inhibitor to the achievement of the Audit Plan. The Committee was assured that a flexible approach would be maintained to the resourcing of the Internal Audit service, ensuring an appropriate mix of skills and experience to deliver the most efficient and effective service. The current approach was based on the use of an in-house team of audit specialities, supplemented by external resources to address shortfalls in skills or capacity as required, which was considered the most cost effective approach but required a commitment to learning and personal development to ensure the in-house team had the relevant skill base. Members expressed some concerns in relation to accountability in relation to the anchoring of external resources within the programme.

Views were also expressed that a sharper focus was needed in relation to the impact of the economic downturn and the need for assurance that business and financial models developed in times of plenty were sufficiently robust to weather harder financial times.

Members also sought to establish (a) how the framework proposed would assist the Council in raising the score on the 'use of resources' assessment (b) that issues about IT dependency and business continuity had a higher profile within the programme overall in view of the impacts of recent service disruption (c) that a specific focus needed to be given to the potential risks associated with mental health services, school exclusions and the Youth Service. The Interim Head of Internal Audit agreed that these issues would find expression in the Plan.

### **Decision**

To note the report and to invite the Interim Head of Internal Audit to consider the issues raised in discussion in developing these proposals further for presentation to the may meeting.

## **AC/09/12 Internal Audit Plan 2008/2009 – progress report**

The Committee noted a report of the Interim Head of Internal Audit providing an update on progress in the delivery of the Council's 2008/09 Internal Audit plan.

Members noted that good progress had been made in the delivery of the plan with fieldwork completed for the vast majority of the planned audits. All of the planned primary school audits and most of the reports on the core financial systems had been completed and the external auditor (Grant Thornton) had commenced the review of Internal Audit reports and files on 30 March 2009.

Despite a number of key challenges, work was being finalised in all areas and the Interim Head of Internal Audit was confident that fieldwork and draft reports would be completed for all but two of the planned audits by the end of April 2009. It was anticipated that most reports would be completed in March 2009 but given the restricted access to ICT across the Council this had not been possible, and, as a consequence, Members were advised that a number of reports that had been planned to have been issued in March would now have to be issued in April.

Referring to the scale and duration of the ICT difficulties being experienced a member requested that a report be brought forward reviewing the scale of disruption to essential services and options for future safeguarding to enable a full assessment to be made of the Council's business continuity capability and the outcomes of the disruption on the most vulnerable people in society. The Assistant Executive Member supported the need for a full examination of the consequences of the disruption at the earliest possibility but stressed the importance that resources remained targeted at resolving the problems first.

### **Decision**

To note the report.

## **AC/09/13 Work Programme**

The Committee noted the work programme which would be updated to reflect the future commitments made at this meeting.

Members requested regular reporting of Revenue Budget pressures and how the Council was responding to them in order to assist the Committee's understanding of budget fluctuations at year end.

In terms of training for the New International Accounting Standards members indicated that this should be scheduled prior to the Committee first being presented with the accounts in this format in 2010, but, in advance of that, the officers be requested to report in May 2009 with a project plan for achieving the new standards and an internal audit statement of readiness.