

At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on Friday 14 December 2012

Present:

Mr G N Cook

Councillors Farthing, T Wright and Mr J P Paterson

In Attendance:

Malcolm Page (Executive Director of Commercial and Corporate Services), Paul Davies (Head of Corporate Assurance and Procurement), Dennis Napier (Assistant Head of Financial Resources), Tracy Davis (Audit, Risk and Assurance Manager) Gavin Barker (Mazars) and Gillian Warnes (Principal Governance Services Officer).

Declarations of Interest

There were no declarations of interest.

Apologies for Absences

Apologies for absence were received from Councillors Forbes, Speding and N Wright.

Minutes

23. RESOLVED that the minutes of the meeting of the Committee held on 28 September 2012 be confirmed and signed by the Chair as a correct record.

It was reported that the terms of reference of the Committee had been updated as agreed at the last meeting and a training session had been held for new Members.

Corporate Assurance Map – Update

The Head of Corporate Assurance and Procurement presented the updated Corporate Assurance Map to the Committee.

Members were directed to the Map and it was highlighted that where the Management Assurance column showed no opinion, this work had been carried out by the Risk and Assurance section and was reflected in that column instead.

With regard to the management self assessments mapped against the corporate risk areas, asset management was showing as red. The Head of Corporate Assurance and Procurement advised that this only related to the very specific area of inventories within the Council and did not affect the overall assurance position.

There were now opinions from Legal Services on three areas with Information Governance being moderate assurance. This was not an unexpected view as it was very difficult to achieve full assurance in this area. Financial Resources had now provided an opinion on three of its four planned areas of activity and was still to finalise the work on the fourth. Assurances had also been recently added to the Map from the Transformation, Programmes and Projects office and there would be further additions from the Strategy, Policy and Performance section during the next quarter.

Human Resource Management was also considered moderate assurance but this was also not unexpected. There had not been a great deal of compliance work done for Human Resources in the past and it was not felt that the amber status was a cause for concern.

Risk and Assurance had provided views for all the required areas and some additional risk areas. The views were based on ongoing work in each area and full assurance was not given if the work was not complete. From the next quarter, it was intended to try and reflect this in a fairer manner so that if actions were where they needed to be, the assurance was more likely to be reflected as substantial.

The Chair noted that some risk areas were showing a good assurance position in some columns but overall, the area was marked as amber. He asked when it could be expected that the whole risk area would become green. The Head of Corporate Assurance and Procurement stated that it was not a case of averaging the assurances across the columns as not all boxes reflected the same level of work. The cumulative position was based on a judgement of the areas which had been assessed and there was a large amount of detail sitting behind each opinion.

The assurance position from Strategic Risk Areas was the same as reported in the previous quarter and within the Corporate Risk areas, Business Continuity Planning and Housing Benefits had gone from a position of moderate to substantial assurance.

Councillor Farthing asked where health and safety fitted in to the Map, as this could be a considerable financial risk for the authority and she was advised that the welfare and safety of staff sat within the Human Resource Management corporate risk area.

The Committee had previously heard that the Council was seeking a Partner organisation to support them with the Integrated Assurance Framework and governance arrangements. PricewaterhouseCoopers had now been appointed in this capacity.

All of the Key Performance Indicators (KPIs) for Internal Audit were on target with the exception of the percentage of the medium risk recommendations which had been implemented which stood at 87% against a target of 90%. The Office of the Chief Executive had an implementation rate of 78% and the Head of Corporate Assurance and Procurement advised that this was due to recommendations from audits of training and development and ICT which had not yet been implemented. Work was ongoing with the relevant services and there was confidence that this figure would improve for the next meeting. There had been significant progress in the implementation of recommendations for the adoption service and personal budgets following the concerns expressed at the last Committee meeting.

Members' attention was drawn to the updated Risk Management Policy and Strategy and they were asked to consider the revised document prior to it being presented to Cabinet for approval.

In conclusion, the Head of Corporate Assurance and Procurement stated that the Corporate Assurance Map continued to develop and showed a positive position, that he was satisfied that the KPIs were where they would want them to be and that there were no particular areas of concern to bring to the Committee's attention.

Having considered the report in detail, the Committee: -

24. RESOLVED that: -
- (i) the updated Corporate Assurance Map be noted; and
 - (ii) the revised Risk Management Policy and Strategy be agreed and referred to the Cabinet for approval.

Treasury Management - Third Quarterly Review 2012/2013

The Executive Director of Commercial and Corporate Services submitted a report detailing the Treasury Management performance for the third quarter of 2012/2013.

The Assistant Head of Financial Resources highlighted the positive progress in implementing the Treasury Management Strategy and that the Treasury Management function continued to look at ways of maximising financial savings and increasing investment return. Although no debt rescheduling had been possible in 2012/2013 as rates were not sufficiently favourable, the Council continued to benefit from the ongoing savings from past rescheduling exercises.

Prudential Indicators continued to be reviewed on a daily basis and the Council was well within the limits set. The investment policy was also reviewed regularly to ensure that it was flexible enough to take advantage of any changes in market conditions which would benefit the Council and the rate of return on investments continued to be significantly higher than the benchmark rate.

The Council's authorised lending list was regularly updated to reflect financial institution mergers and changes to credit ratings of institutions. The Approved Lending List at Appendix C to the report had been amended to take these changes into account.

Upon consideration of the report, it was: -

25. RESOLVED that the Treasury Management Performance for the third quarter of 2012/2013 be noted.

Audit Commission Annual Audit Letter 2011/2012

The Executive Director of Commercial and Corporate Services submitted a report presenting the Audit Commission's Annual Audit Letter for 2011/2012.

Gavin Barker, formerly of the Audit Commission and now with Mazars, reported that the Annual Audit Letter was extremely positive and the Audit Commission had issued an unqualified audit opinion on the Council's 2011/2012 financial statements and an unqualified conclusion that the Council had proper arrangements to secure economy, efficiency and effectiveness in the use of resources. He confirmed that the views of the previous External Auditor were that the Council: -

- Had proper arrangements in place to ensure its financial resilience.
- Had successfully delivered a 2011/2012 budget containing £58m cuts in government funding without the need for redundancies.
- Had closely monitored its budget during the year to ensure that savings and efficiencies were delivered effectively.
- Had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Was continuing to identify ways of improving service efficiencies and new ways of working and to improve service delivery and outcomes with fewer resources.

The Committee were pleased to receive the positive report from the Audit Commission and accordingly: -

26. RESOLVED that the Audit Commission's Annual Audit Letter for 2011/2012 be noted.

Certification of Claims and Returns – Annual Report 2011/2012

The Executive Director of Commercial and Corporate Services submitted a report detailing the Audit Commission's work which they had carried out for all grant claims and returns made by the Council for 2011/2012, which according to regulation, required an external audit opinion and/or audit certificate.

Three major claims had been looked at in 2011/2012, these being the Housing and Council Tax Benefit Scheme, the National Non-Domestic Rate (NNDR) Return and the Teachers' Pensions Return.

There had been an amendment to the NNDR Return which was as the result of an issue in the new system where some figures were not picked up correctly. However, the Council had suffered no loss in funding as a result of this amendment and the report was positive overall.

The Chair queried if the ICT problem could be experienced again in this financial year and was reassured that this had been a first year system issue and the necessary arrangements were being put in place to ensure that the correct figures would be identified for the 2012/2013 claim.

27. RESOLVED that the report be noted.

Counter Fraud Strategy

The Executive Director of Commercial and Corporate Services submitted a report asking the Committee to consider a Counter Fraud Strategy to support the delivery aims of the Anti Fraud and Corruption Policy.

The Anti Fraud and Corruption Policy had been in place for a number of years and the Audit Commission had identified that there was £179m worth of fraud detected in local government in 2011/2012. The Internal Audit Plan allocated time and resources to proactive counter fraud work and the importance of good anti-fraud arrangements was reflected in the Corporate Assurance Map.

The amount of fraud detected over the last few years had been relatively small but it was the fraud that may be unknown which was a cause for concern. The Counter Fraud Strategy was designed to enhance the arrangements already in place and pull together work carried out by the Internal Audit and Risk Assessment teams. The strategy would be essential in the challenging economic climate with the associated pressures which provided a suitable environment for committing fraud.

With regard to the review and developing arrangements which the Council had with partner organisations, Councillor Farthing noted that the NHS had a counter fraud body which could be a good source of guidance and information. It was also noted that some of the language from the Fraud Act was not very easy to understand and public facing documents would be produced using Plain English.

The Chair commented that the greatest fraud risk area would appear to be when dealing with external contractors and asked if there were individuals within the authority who had the necessary skills to detect fraud in that area. The Head of Corporate Assurance and Procurement advised that there were two accredited counter fraud specialists within the service and additional resource was being dedicated from the Audit team to look for fraud using a fraud risk assessment. PricewaterhouseCoopers had also offered some software which could help to identify fraud.

The Executive Director added that the culture in the organisation was positive with regard to fraud, detection work was rigorous and employees were able to raise any issues comfortably.

Having considered the report, the Committee: -

28. RESOLVED that the Counter Fraud Strategy be agreed.

Corporate Assurance Map – Consultation for 2013/2014

The Head of Corporate Assurance and Procurement submitted a report outlining the areas of work expected to be a priority for Internal Audit and the Risk and Assurance team in the next financial year and seeking the views of the Committee on the Corporate Assurance Map for 2013/2014.

It was highlighted that the resource which was to be dedicated to counter fraud work would need to be added into the plan and Councillor Farthing asked if external fraud was covered within this plan regarding claims against the Council.

The Head of Corporate Assurance and Procurement informed the Committee that the Council did receive a large number of claims but had a high repudiation rate. Where there were suspicions that a claim may be fraudulent, the local authority would work with Police and fraud specialists to identify any false claims. He also highlighted that very few claims were above the level at which insurers would have to pay out.

The Executive Director reported that over the next year there would be a lot more activity on alternative service delivery models and the Internal Audit and Risk and Assurance plans would reflect this.

29. RESOLVED that the comments of the Committee in relation to the Internal Audit plan and Corporate Assurance Map for 2013/2014 be noted.

(Signed) G N COOK
Chairman