

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the
CIVIC CENTRE on FRIDAY 27 MAY 2011**

Present: -

Mr G N Cook in the Chair

Councillors M Forbes, Trueman and Mr J P Paterson.

Declarations of Interest

There were no declarations of interest.

Apologies for Absence

Apologies for absence were received from Councillor Rolph, Tate and T Wright.

Minutes

1. RESOLVED that the minutes of the meeting of the Committee held on 25 March 2011 be confirmed and signed as a correct record.

Audit Commission Annual Audit Letter 2009/2010

The Executive Director of Commercial and Corporate Services presented a report detailing the Audit Commission's Annual Audit Letter 2009/2010. He was pleased to inform the Committee that the letter was positive and gave firm and strong assurances about the performance of core systems and value for money arrangements. The Council was also well placed to meet the big challenges ahead.

Gavin Barker, Audit Manager, was in attendance at the meeting to present a summary of the Audit Commission's findings and to answer members' questions.

Gavin made reference to the technical delay in the audit as a result of a local elector requesting information regarding PFI contracts. He also commented that the objections which had been made over the last three years remained unresolved and the relevant audits had not been closed for this reason. There

were similar objections in other parts of the country and ongoing legal proceedings, the outcome of which, would direct how the Audit Commission would move forward with this.

Gavin highlighted that the forthcoming consultation on the future of local audits stated that the right to make objections was outdated and whilst it would still be possible for the public to approach the auditor with comments, it was recommended that the 'right' to object be removed.

Gavin stated that the outcome of the audit and the tone of the letter was very positive and the findings regarding the opinion on financial statements were very good. He drew attention to some recommendations for the future regarding the streamlining of the financial statements. The Audit Manager had also issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources and the areas identified for improvement were already known to the Council.

The Council had faced significant mid year budget cuts in 2010/2011 and 2011/2012 budget rounds and the next Value for Money assessment would focus on securing financial resilience and prioritising resources within tighter budgets.

Having considered the Annual Audit Letter, it was: -

2. RESOLVED that the report be noted.

Annual Audit Fee 2011/2012

Gavin Barker, Audit Manager, introduced a letter from the Audit Commission informing the Council of the work they proposed to undertake for the 2011/2012 financial year and the fee which would be charged for the work undertaken.

The scale fee was £299,270 for 2011/2012, a reduction from the 2010/2011 planned fee of £332,522.

In response to a question from Mr Paterson, Gavin advised that scale fees were based on a formula but fees were determined locally due to historical charges being lower and it was intended that they would move closer to the scale fee over time.

The Chairman asked if there was an update on the future of the Audit Commission and Gavin advised that Councils were currently considering the consultation on the future of local authority audit arrangements and the main thrust was that local authorities would appoint their own auditors.

Employees of the Audit Commission had been told that the organisation would be privatised but it was not clear whether this would involve a TUPE

transfer or if they would be able to establish an employee owned mutual organisation. DCLG had employed consultants to look at business plans for internal audit practice and it was hoped that the results of this would be available by the end of June 2011.

Following discussion it was: -

3. RESOLVED that the reduced audit fees for 2011/2012 be noted.

Internal Audit Annual Report 2010/2011

The Head of Audit, Risk and Procurement presented the Annual Report of the Internal Audit service and the Committee were requested to consider the performance of Internal Audit during 2010/2011 and consider the audit opinion on the adequacy of the overall system of internal control within the Council.

98 out of the planned 102 audits were completed which represented 96.1% of the planned work. A further seven unplanned audits were also completed during the year and the Head of Audit, Risk and Procurement outlined the reasons for the non-completion of four audits.

The Council had an audit cost per £m of gross turnover of £998 which had reduced from the previous year's figure of £1,071. However, this was still higher than the CIPFA comparator group figure of £941. A review of the service would reduce the costs by £90,000 in 2011/2012.

The target for the implementation of medium risk recommendations was 90%, but the figure achieved currently stands at 85%. Reporting arrangements had been developed which include a quarterly report to each Executive Director on internal audit work, implementation rates and an analysis of follow up work. This would allow implementation to be monitored more closely and action taken in a more timely way.

Members of the Committee were reminded that the audit risk assessment process had been changed and that assurance was to be provided on 18 key risk areas. The overall opinion for all of these was either 'good' or 'satisfactory' apart from Information Governance which had been found to be 'unsatisfactory'. It was found that further work needed to be done in relation to awareness and compliance with Information Governance rules.

The report outlined the number of audit recommendations made throughout the year to improve internal control. There had been no high risk recommendations, but there were three which had been classified as 'significant'. Two recommendations were in relation to Vulnerable Adults Protection Arrangements and the other was with regard to the HR Management and Financial Management System consolidation.

The Internal Audit service continued to receive good feedback from clients and good scores in the user satisfaction survey run by the CIPFA

benchmarking club. The Head of Audit, Risk and Procurement concluded that a high level of the audit plan had been achieved and the service continued to meet the required professional standards.

The Chair emphasised the need to resolve the issues relating to information governance quickly and requested that an update be provided at the next meeting on the significant recommendations relating to vulnerable adults and ICT systems. He added that he expected to see significant progress had been made in these areas.

Councillor Forbes enquired if there was a date set for the delayed audit of corporate performance management. The Head of Audit, Risk and Procurement advised that the restructure of the strategy and performance function had delayed the audit. Mike Lowe, Head of Performance Improvement explained that the changes in the national performance management framework had impacted on development of the Council's own framework but the service was now in a position to embed the ICT system and the audit was to take place later in the year.

Councillor Forbes was pleased to note the improvement in the implementation rate for medium risk recommendations in Children's Services but was also concerned about the significant recommendations to which the Chairman had already made reference. Mr Paterson asked why training in new processes around safeguarding had yet to be implemented and was informed that this was due to a number of new software packages being brought in at the same time and training being pursued in those areas initially. The Executive Director of Commercial and Corporate Services assured the Committee that every effort would be made to deal with the significant recommendations as a matter of urgency.

Having considered the report, it was: -

4. RESOLVED that the Internal Audit Annual Report 2010/2011 be noted.

Risk Management Annual Report 2010/2011

The Executive Director of Commercial and Corporate Services presented a report setting out the arrangements for the management of risk during 2010/2011, proposing an updated Policy and Strategy and setting out future planned improvements.

The report confirms that the Council has a strong risk management system in place but also highlights that one area for refinement in achieving more active engagement from members of the Council's Executive Management Team.

The Head of Audit, Risk and Procurement stated that the report outlined the risk management work being carried out at all levels of the authority, but recognised that there was still more which could be done.

The stated objectives within the Risk Management Policy had been reduced from six to three and had also been streamlined to avoid duplication. The objectives were: -

Objective 1

Ensure there is an effective corporate risk profiling process in place to identify, assess, manage, review and report on strategic and corporate risks and opportunities.

Objective 2

Enable the Council to successfully identify, assess, manage, review and report on risks and opportunities at a service/operational, programme, project and partnership level.

Objective 3

Embed the effective management of risk into the culture, ethos, policies and practices of the Council.

The Audit and Governance Committee had agreed the first formal Risk Management Annual Plan for 2011/2012 in March 2011 which set out how the Corporate Risk Management team would fulfil its role and meet the three new agreed objectives during the year.

Having welcomed the increased clarity of the risk management documents, the Committee: -

5. RESOLVED that: -

- (i) the arrangements set out in the Risk Management Policy and Strategy and undertaken throughout the year be noted;
- (ii) the updated Risk Management Policy and Strategy be agreed; and
- (iii) it be noted that the Corporate Risk Management team would continue to develop the service to meet the changing needs and pressures that the Council faces.

Internal Audit Progress Report

The Head of Audit, Risk and Procurement presented a report outlining the progress of Internal Audit from April to 6 May 2011, the areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

The report only covered a small portion of the plan but set out for Members the format for future reports and detailed the progress against Key Performance Indicators. Members' attention was drawn to current rate of

implementation of medium risk recommendations which stood at 86% against a target of 90%.

The Committee were also informed that the target set for the value of housing and council tax overpayments was £1m for the financial year and the target had been based on a report which queried the benefits system. However, the report had later been found to be inaccurate and it was suggested that the target be amended to £600,000 to represent a more realistic situation. £44,407 of overpayments had been identified during April 2011.

The Head of Audit, Risk and Procurement explained that appendix 2 of the report listed the audits in the plan for 2011/2012 and as an overall opinion was sought, the conclusion column would be populated. He drew attention to two typographical errors which had resulted in the Information Governance and Payroll risk areas showing the wrong overall opinion in that column. There were no issues of concern to report but since the report had been prepared, there had been three attempted frauds against the Council.

In response to a query from Councillor Forbes, the Head of Audit, Risk and Procurement clarified that it was not a flaw in the benefits system which had led to the target for overpayments being over estimated and there were no concerns about the operation of that system.

Having considered the report, it was: -

6. RESOLVED that the revised council tax and housing benefit fraud target be agreed and the report be noted.

Member Training and Development

The Executive Director of Commercial and Corporate Services presented a report which provided Members of the Committee with the opportunity to identify any areas for which they required further training, awareness or refresher sessions.

As part of this, it was proposed that the following briefings were provided in June 2011:

- Statement of Accounts Update – International Financial Reporting Standards.
- Changes resulting from the Council's improvement programmes.

The Chairman stated the importance of the Committee being kept up to speed on issues affecting the Council and how the Committee could make a difference. He encouraged Members to think about any areas of work where they felt that they would benefit from a greater understanding.

7. RESOLVED that the proposed training sessions in June be agreed and Members consider further areas for future training.

(Signed) G N COOK
Chairman

