

Audit Committee

Thursday, 25 September 2008

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney and Geoffrey Russell

Officers Present: Gary Hall (Assistamnt Chief Executive (Business Transformation)), Andrew Docherty (Corporate Director of Governance), Andy Armstrong (Assistant Audit Manager), Lindsay Roberts (Auditor), James Douglas (Business Improvement Manager) and Tony Uren (Democratic Services Officer)

Also in attendance: Tim Watkinson (Acting district Auditot, Audit Commission) and Tony Hough (Audit Manager, Audit Commission)

08.AU.28 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Keith Iddon.

08.AU.29 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in any of the items on the meeting's agenda by any of the Members present.

08.AU.30 MINUTES

RESOLVED - That the minutes of the meeting of the Audit Committee held on 26 June 2008 be confirmed as a correct record and signed by the Chair.

08.AU.31 DELIVERING EFFICIENCY AND VALUE FOR MONEY - REFLECTING BACK AND LOOKING FORWARD

The Committee considered a report of the Assistant Chief Executive (Business Transformation) on the Council's performance in reaching the efficiency targets to be achieved during the Spending Review period from 2005 to 2008. The report, which had been presented to the Executive Cabinet on 4 September, confirmed that the Council had substantially exceeded the efficiency savings target of £1.29m.

While there was no specific requirement for the Council to set a local target for efficiency gains during the Comprehensive Spending Review covering the period 2008 to 2011, the Executive Cabinet had agreed to set a local target of £1.26m. This figure had been calculated following advice from the Department for Communities and Local Government and after taking account of the fact that the Council was able to carry over the £726,404 excess savings from the previous Spending Review.

The report set out the key areas in which the Council had been recommended to focus and explained how Officers intended to manage and achieve the savings targets. The Executive Cabinet had accepted that the Authority would need to ensure that services were procured by the optimum means; processes and systems were streamlined through service transformation and that the Council's assets were used most effectively. In response to a Member's query, the Officers also confirmed that the concept of outsourcing back office services and/or shared services in respect of appropriate functions would be examined, along with other expedient means of achieving business efficiencies.

The Councillors also recognised the contribution of the past and present administration in the achievement of the efficiency savings.

RESOLVED - That the report be noted.

08.AU.32 INTERNAL AUDIT ACTIVITIES - INTERIM REPORT UP TO 12 SEPTEMBER 2008

The Assistant Chief Executive (Business Transformation) presented the first interim report on the progress of the work undertaken in respect of the Annual Internal Audit Plan between 1 April and 12 September 2008.

The report summarised the work that had been completed so far on the respective elements of the Audit Plan (i.e. Corporate Governance; anti-fraud and corruption; and reviews of key business and financial systems and operations). A key feature of the current Plan aimed to ensure the provision of more proactive advice and assistance in developing the Council's corporate governance framework.

The core purpose of Internal Audit was to review independently the effectiveness of the Council's internal control systems and core business processes. In addition, the Section contributed to the review of the Authority's performance in achieving value for money and assisted staff's identification of more efficient methods of working.

The Members' questions raised in their consideration of the report related to the costs of the internal audit service; the prioritisation of work projects and the allocation of work days; and the recovery of benefits other overpaid or claimed fraudulently.

RESOLVED - That the report be noted.

08.AU.33 FRAUD AND CORRUPTION RISK REGISTER

In response to the Members' request at the Council meeting, the Assistant Chief Executive (Business Transformation) submitted a report on the Internal Audit Section's development of a Corporate Fraud and Corruption Risk Register.

Whilst the Council had experienced relatively few incidents of fraud over recent years, the Audit Commission had recommended the Council to 'develop proactive counter fraud and corruption work determined by a formal risk assessment which is adequately resourced. Subsequently, the Internal Audit Section had consulted the Director's Team to compile a corporate Fraud and Corruption Risk Register which identified specific fraud risks in individual service areas.

The report was accompanied by a supplementary document which explained the processes involved in the compilation of the Register and an associated plan of action to mitigate the risks identified. The development of the register complemented the CIPFA/Solace guidelines on governance in relation to probity and ethics raised awareness of the issues and provided a robust and effective strategy to detect and prevent fraud throughout the Authority.

The risk assessment exercise had identified 23 issues for which the Section considered that action was necessary to address and mitigate identified risks. Further reviews and assessments would be undertaken in future to ensure that the action plans were being implemented and proven successful.

Members queries on the strategy related to performance monitoring procedures, particularly in relation to contracts and the tools and processes used in detecting and preventing occurrences of fraud.

RESOLVED - That the reports be noted.

08.AU.34 FINANCIAL STATEMENT OF ACCOUNTS FOR 2007/08

The Assistant Chief Executive (Business Transformation) submitted a report drawing attention to the amendments that had been made to the Council's Financial Statements of Accounts for 2007/08 approved at the last meeting of the Committee on 26 June 2008 following their statutory audit.

A number of mainly presentational changes had been made to meet recommended practice and an adjustment had been made in relation to the valuation of the Council's assets in order to rectify an identified under valuation.

Whilst the audit of the accounts had highlighted a number of internal control weaknesses, the improvements that had been effected during the production of the 2007/08 accounts had been reflected in only a small number of mainly classification errors having occurred.

The Committee were assured that the alterations to the account would not impact on the Council's income or expenditure position.

The recommended amendments to the accounts and the internal control issues were also highlighted in the annual Governance Report to be considered as the next agenda item.

RESOLVED - That the report be noted and that, after taking account of the Audit Commission's Annual Governance Statement, the audited and amended Financial Statement of Accounts for 2007/2008, as now presented, be approved for signature by the Chair of the Audit Committee, the Executive Leader and the Assistant Chief Executive (Business Transformation).

08.AU.35 ANNUAL GOVERNANCE REPORT FOR 2007/08

The Audit Commission submitted its Annual Governance Report which summarised the findings of the Commissions 2007/2008 audit and identified the big issues to be taken into account by the council, before the Commission issued its final opinion and conclusion on the 2007/2008 accounts.

Mr Watkinson and Mr Hough highlighted the principal elements of the audit process and the report, acknowledging that there had been discernible improvements over the past years and the Council had shown evidence of its intention to strive for continuous improvement of its financial management of the authority.

The auditors summarised the contents of the report in some depth, highlighted the principal issues and risks which had been identified by the Audit Commission and the auditors' subsequent recommendations for measures to address the issues and potential risks.

In particular, reference was made to the following elements of the report:

- The auditors had assessed the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and had concluded that the arrangements in place were adequate. The Auditors, therefore, proposed, to issue an unqualified conclusion.
- The audit had been completed in accordance with the agreed scale of fees.
- A draft letter of representation to be signed by a senior manager of the Council acknowledging the collective responsibility for the compilation of the financial statements and the provision of the documentary evidence provided to the Auditors.

- Appendix 2 to the report listed each of the recommended amendments which had been made to the Financial Statement on the auditor's suggestion, with a few minor corrections the schedule being reported at the meeting.
- Appendix 3 contained the summary of the Auditor's opinions and conclusions on the audit of the Council's accounts for 2007/08 and Best Value Performance Plan. The report had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Audit Commission had not identified any specific matters which it wished to report to the Council and did not wish to make any recommendations on procedures in relation to the Best Value Performance Plan.
- Appendix 4 set out an action plan of measures to address the identified issues. It was envisaged that a completed action plan would be available for presentation to the next Audit Committee meeting.

RESOLVED - That the Annual Governance Report to be noted and that the Assistant Chief Executive (Business Transformation) be authorised to sign the letters of representation on behalf of the Council on the conclusion of the audit.

Chair