



AUDIT COMMITTEE

4.30 p.m. – 7.00 p.m.

21 January 2010

Present: Councillors Little (S) (Chair), Bremner, Divers, Makoff, Stephenson and Waters

Also Present: Rob Murray (District Auditor) and Helen Devlin (Audit Manager)

Apologies: Councillors Driver and George

1. INTRODUCTIONS

The Chair introduced Rob Murray who had replaced Andy Perrin as the District Auditor. General introductions ensued.

2. MINUTES

Internal Audit 2008/2009 and 2009/10 – Update

The Head of Finance said that the report on the involvement of the Internal Audit in the New Deal for Communities (NDC) funded project, NELM Development Trust, would be considered at the committee's meeting in June 2010. NDC funding ended in March 2010 and the report would take into account the Trust's succession plan.

Audit Opinion Plan 2008/2009 and Annual Governance Report 2008/2009

The Head of Finance said that copies of the response to the District Auditor's action plan would be circulated to members and considered at the next meeting of the committee.

Members agreed to the principle that the Leader of the Council, the relevant Executive Member, the Chair of the Audit Committee, officers and the District Auditor should have the opportunity to discuss the District Auditor's Annual Governance report before it was considered at the committee and if required, the committee could opt to delay the meeting to enable this to take place.

The Head of Finance advised members that a report on the Asset Management database would be considered at the next meeting of the committee.

RESOLVED to agree the accuracy of the minutes of the meetings held on 24 September 2009.

3. PRESENTATION ON THE CLOSURE OF THE 2009/2010 ACCOUNTS

(The Chair agreed to move this item up the agenda as it provided the context for the District Auditor's Annual Audit Letter.)

The Head of Finance gave a presentation on the actions being taken to ensure the closure of accounts for 2009/2010 in order to meet statutory deadlines and answered members' questions. The development of risk management was a critical part of the process and would be built into the accounts. The action plan would also need to address the International Financial Reporting Standards (IFRS) implications.

Councillor Bremner congratulated the Head of Finance and officers for the progress made to ensure that the accounts were reconciled within statutory deadlines, which would now mean that there was an opportunity to plan ahead for future years.

The Chair welcomed the approach being taken, particularly the initiative that members of staff would 'own' and develop a detailed knowledge of parts of the accounts.

RESOLVED to note the arrangements for the closure of the 2009/2010 accounts.

4. ANNUAL AUDIT LETTER 2008/2009 – DECEMBER 2009

The District Auditor presented the Annual Audit Letter and referred to the key messages which summarised the Audit Commissions' findings from its 2008/2009 audit.

Discussion ensued in which the District Auditor, the Audit Commission's Audit Manager, the Deputy Chief Executive, the Head of Finance, the Senior Project Accountant and the Audit Manager responded to members' questions.

In response to a question from Councillor Makoff, the Audit Commissions' Audit Manager confirmed that the Council would receive a separate report on its managing performance and organisational assessment from Sue Jewkes, the Audit Commission's Area Assessment Lead for Norfolk. The assessment would be based on a combination of interviews, key documents and evidence from a number of different sources. The Deputy Chief Executive said that evidence from the key lines of enquiry could be made available to members.

Discussion then ensued on workforce planning and management of resources within the authority, and the progress being made in the Planning and Housing Services Improvement Plans in response to the Audit Commission's inspections. Resources across the Council were being looked at as part of the budget preparations for 2010/2011.

The Deputy Chief Executive said that diversity training was being rolled out to all staff. It was important too that the Council built up the information on residents and its customers to understand the issues. The Council had achieved level 2 of the Equality Standard.

The Head of Finance said that because the accounts had been rushed in previous years there had not been an opportunity to ensure that working papers were consistent. Improved working papers would speed up the audit process.

Members were advised that it was bad practice to hold balances in suspended or holding accounts and this had been addressed.

The Audit Commission's Audit Manager gave examples of the errors that had re-occurred in the accounts, such as inaccurate recharging and misclassification of capital or revenue accounts. The Head of Finance and the Senior Project Accountant said that there had been a positive response from staff and recognition that this needed to be addressed and that the team had moved forward.

Councillor Bremner referred to the District Auditor's comment on the need to improve the information provided to councillors to aid decision making regarding redundancy payments. The Deputy Chief Executive and the Head of Finance then explained that decisions on redundancies were a function of the Executive and it would be considering redundancies that resulted from the consultation on the reduction in Council Services.

Councillor Waters said that he welcomed the work on the management schedule of assets.

Discussion then ensued on the role of the Council as the accountable body for the NELM Development Trust Ltd and the historical errors brought forward in the accounts from the early days of the NDC project. Members were advised that the Council received a 10% management fee from the Trust but this did not recover the true cost it incurred.

The Chair pointed out that the Committee should be concerned about the material weaknesses in the arrangements for grant claims and that this should now be addressed. The Head of Finance said that it was not being ignored and that comments from the Audit Commission and internal audit were being addressed. The Deputy Chief Executive said that there had been a change in practice for dealing with housing benefit claims to ensure that the payments were right first time and to eliminate possible fraud. The Audit Manager, Audit Commission, said that overpayments had been made either because of claimant error or the fault of the Council because not all the documents were available at the start. Members were advised that a number of system errors on the Northgate System where dates had been entered incorrectly had led to the miscalculation of benefits had been identified and resolved.

The Chair then referred to the fact that Financial Services was dependent on information provided by other services and was informed that this was part of the reconciliation work and had improved.

Discussion then ensued on the District Auditors' assessment of the Council in respect of value for money and use of resources. The affect on the costs of the concessionary bus fares and the drop in interest affects on the 2008/2009 budget were noted. The District Auditor's recommendation to widen the benchmarking to a less limited peer group was being addressed through work provided by consultants and market testing.

During discussion on the Total Place survey, Councillor Waters said that it showed that 90% of public expenditure was by local government, health services and the Department of Work and Pensions. The idea that funding was pooled together to make savings was not a given.

Councillor Stephenson pointed out that the plan for the medium term financial strategy had not been considered at Council in December 2009 but had been considered by the Executive. The Deputy Chief Executive outlined the process of the consultation on the Executive's proposals for improvements and efficiency savings and said that the feedback from staff and UNISON had been generally positive. The next staff survey would take place in May or June 2010.

Councillor Makoff asked what steps were being taken to ensure that the internal Audit team was properly resourced. In response the Head of Finance and Audit Manager explained that there were 4 members of staff in the team and that work on the NELM Development Trust Ltd's claim for 2008/2009 would be finalised by the end of next month with work on 2009/2010 being conducted at a later date. In response to a further question the Head of Finance said that there were tighter controls on the use of agency staff had been introduced. The Council had built up a pool of vacant posts. Some of these posts were being filled by agency staff until, following the outcome of the consultation staff whose posts were deleted could be redeployed into these posts under the staff adjustment procedures. Overtime payments had also been stopped.

The Chair referred the meeting of the Mousehold Heath Conservators on 11 December 2009 where he had raised the issue of comparing the budget with the previous year's budget at certain times throughout the year, and had been told that this could not be done without expense. The Head of Finance said that it was possible to monitor the budget and provide a comparison with the previous year. However this was not available on Oracle, the Council's financial systems software, without incurring additional expense to set up.

Councillor Makoff drew attention to the recommendation of the District Auditor that officers consulted with councillors to see if they should strengthen the treasury management arrangements to incorporate some or all of the CIPFA guidance into the Council's strategy.

RESOLVED note the contents of the Annual Audit Letter 2008-2009 and approve the recommendations contained in the report.

(Councillor Bremner left the meeting at this point.)

5. FIGHTING FRAUD IN LOCAL GOVERNMENT

The Audit Manager presented the report and said that the full report 'Protecting the Public Purse' was available on the Audit Commission's website. The Head of Finance suggested that the committee considered the Council's counter-fraud arrangements against the Audit Commission's checklist.

Councillor Waters said that the Local Government Information Unit (LGIU) had produced a review of the report which was available on its website.

RESOLVED to hold a workshop to consider the Council's counter-fraud arrangements against the Audit Commission's checklist.

6. STRATEGIC RISK MANAGEMENT REVIEW

The Head of Finance presented the report and, together with the Deputy Chief Executive and the Audit Manager, answered questions. Members were advised that there would be strong links from the Corporate Plan and the Council's annual budget to service delivery through Corporate, Service and Team plans. If something was not in these plans it was not a priority and would not be delivered.

Councillor Makoff welcomed the layout of the information with the highest risks being at the top.

The Deputy Chief Executive answered questions on the outsourcing of 'blue collar' services and said that the risks were managed by the Core and Steering Groups, who had identified steps to mitigate the risks identified.

Councillor Makoff suggested that the risk assessment also included environmental consequences. The Chair endorsed this suggestion and said that there should be a separate column to evaluate the effect of climate change. Both members considered that local authorities in the future would be obliged to take steps to mitigate the risks caused by a changing climate. Councillor Stephenson pointed out that there was also a financial risk because of rising fuel costs. This financial cost was taken account of in the risk register.

Members noted that the response to the Local Government Review was expected soon.

The Deputy Chief Executive then explained that the risk register reflected risks emerging at particular times. The business continuity plan in October 2009 took into account concerns about the H1N1 flu epidemic and there had been a major failure with the IT system for 2 days. Disruption from the flu epidemic had not materialised and steps had been taken to avoid the problem with the IT system in future.

RESOLVED to:-

- (1) request that the Corporate Management Team considers the addition of environmental risks to the strategic risk register;
- (2) note the process for monitoring measures to mitigate risk.

7. INTERNAL AUDIT 2009/10 – UPDATE

The Audit Manager presented the report and together with the Head of Finance answered questions.

During discussion members noted the Audit Team was still under-resourced but that tenders were out for the outsourcing of some of the audits. The audit of HR was in the plan but because it was under pressure with the transformation project would slip until next year.

The Chair expressed amazement that the Council had been paying for electricity for sites that it no longer used and that this demonstrated the valuable work of the internal audit. The Audit Manager said that there had been no central co-ordination of sites and this was now being addressed. The Audit Team had also identified issues relating to the dog warden service, despite being an area that was not in the original audit plan.

Discussion ensued on the resources for the Audit Team, and members were advised that once work on the NDC had been completed the team would be fully resourced and the plan could be reassessed. The cost of agency staff was value for money as the rates of pay were comparable with that of City Council employees.

RESOLVED to:-

- (1) note the report;
- (2) record the Committee's concerns that the Audit Team is adequately resourced to progress the audit plan and any issues arising from internal audits.

(Councillor Stephenson left the meeting at this point.)

8. CHIEF FINANCE OFFICER PROTOCOL

The Head of Finance presented the report. The Audit Manager pointed out a couple of amendments to the first paragraph of page 74 of the agenda, by deleting 'amicably' and inserting 'possible' between 'any' and 'illegality'. The protocol would need to be considered by the Constitution Working Party before being recommended to Council.

RESOLVED to:-

- (1) endorse the draft Chief Finance Officer protocol as amended above;
- (2) recommend to the Council that it is included as an appendix to the Council's constitution.

9. PRESENTATION ON THE DELIVERY OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Head of Finance gave an oral update on the inclusion of IFRS in the closure of the accounts. A detailed plan would be drawn up and resources identified. Philippa Dransfield, Senior Project Accountant, would be leading on IFRS within the Council. An important part of the work would be on leases and the use of private finance initiatives (PFI).

RESOLVED to note the report.

CHAIR