



AUDIT COMMITTEE

4pm – 5.40pm

29 November 2011

Present: Councillors Little (Chair), Driver, Jeraj, Kendrick, Sands (S), Makoff and Wright

Also Present: Helen Devlin and Rob Murray of the Audit Commission

Apologies: Councillor Waters

1. MINUTES

RESOLVED to agree the accuracy of the minutes of the meeting held on 21 June 2011 subject to amending the resolution in item 6 to read “Audit Commission” rather than “audit committee.”

2. OUTSOURCING OF THE WORK OF THE AUDIT COMMISSION’S AUDIT PRACTICE

Rob Murray, Audit Commission, presented the report and outlined the outsourcing timetable. The procurement process started in September 2011, to outsource its work spread over 10 areas. The pre-qualification questionnaires had been completed and 13 bidders had been invited to bid and the tenders should be assessed by the new year. The contracts would be awarded by early March 2012. In response to members’ questions he said that until the government changed the Audit Commission Act, the Audit Commission would be responsible for appointing the audit contracts. The process had been designed to minimise the number of redundancies and the majority of Audit Commission employees would expect to TUPE transfer to the new employers. Those bidding for the contracts were predominantly top line accountancy practices in the UK, a number of consortia and the Audit Practice’s mutual business.

RESOLVED to note the current position of outsourcing the audit work currently provided by the Audit Commission’s audit practice.

3. AUDIT PROGRESS REPORT 2011-12

Rob Murray, Audit Commission, provided members with an update and explained that a formal report would be taken to the next committee. He said that the deadline for the audited accounts was 30 September 2011 and that this had not been met. This was partly due to the complexity of the new reporting standards, which had also caused delays for other councils.

The council had provided the Audit Commission with a revised statement of accounts on 3 November 2011, however further updates were to be made. He explained that a copy of the annual governance report would be considered at the next audit committee, however further amendments would follow and consideration would need to be given to how the accounts and reports would be formally signed off. This would probably take place during January 2012. The high volume of outstanding issues and potential adjustments would take some time to conclude. In response to a question from Councillor Driver concerning the amendments and duplication within the accounts, he explained that the accounts were more substantial than in the past, for example a requirement for increased disclosures resulted in a further breakdown of figures, and therefore resulted in a more significant impact when changes were made.

The chief accountant informed members that the process was complicated and labour intensive. Additional resource included an additional accountant and a secondee from KPMG. A set of accounts could be produced for the current year, however work was required on the previous years' comparatives. Officers would be working with the Audit Commission to discuss whether any information was still outstanding. Officers would also provide a document setting out any further amendments made since the accounts were submitted in early November 2011. Rob Murray explained that in future years, there should not be the same IFRS implementation issues or capacity issues.

In response to questions from the chair, Rob Murray said that a national report would identify the council's whose accounts were not signed-off. This would amount to approximately 39 councils which was a significantly higher number than last year.

The deputy chief executive informed members that she was working with the finance management team to review priorities (including closing the accounts and setting the budget for the next financial year) and associated resource requirements. Members were concerned that the level of current resourcing was not adequate.

RESOLVED to:-

- (1) note the work completed to date and the work to be completed during the rest of the year; and
- (2) to note that members were concerned about the current level of resourcing and that an update should be provided to members at the next committee.

4. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2009-10

Helen Devlin, Audit Commission, presented the report which summarised the Audit Commission's work on the council's claims and returns during 2009-10. The report, which had been agreed with officers, set out the key recommendations. In response to a question from Cllr Wright, she explained that the certification fee reduction from the previous year was due to the reduced work on the housing benefits claim following a high number of errors found in the sample of housing benefit claims in 2008-09, which then required additional testing.

The finance control manager explained that further internal controls had been put in place, improving the process of submitting, reviewing and processing claims. Risk

management formed part of the claims process for example, it would not always be in the council's interest to pursue a reported issue on a claim because the cost and time to investigate could outweigh the value of the claim itself.

In response to members' questions, the deputy chief executive said that officers would be meeting with the department for communities and local government (DCLG) regarding NELM. They would be looking at the whole programme and capital receipt still held on behalf of NELM. As the accountable body, the council would need to agree the way forward with the DCLG. Discussions would not involve an independent arbitrator. At the time, the management and administrative budget was being signed off by the NELM board and the council had advised that there were various issues that needed to be dealt with. These were now historical. With regard to the letting of contracts, NELM had standing orders in place however these were not monitored closely and were not fully complied with.

In response to a question from Councillor Driver, the finance control manager said that recommendation six, which referred to inadequate information for the leased properties at Lowes Yard, would no longer be applicable after March 2012, and therefore resources had been allocated elsewhere.

RESOLVED to note the summary of the findings of the certification of the council's 2009-10 claims.

5. UPDATE TO ANNUAL GOVERNANCE STATEMENT 2010-11

The audit manager presented the report. He said that the draft statement had been considered at the June audit committee and that amendments had been made based on recommendations of the Audit Commission.

RESOLVED to approve the changes to the annual governance statement 2010-11.

6. AUDIT COMMISSION FRAUD AND CORRUPTION SURVEY 2010-11

The audit manager presented the report and highlighted that the last bullet point of paragraph 5 should have read "No cases of fraud or corruption involving members or employees."

In response to members' questions, the fraud verification team leader explained that with regard to housing sub-letting fraud, a five-year plan to visit every property was underway. Each case would be considered on a case-by-case basis and criteria would be used when determining which cases should be taken to court. Amongst other criteria, consideration would be given to deliberation; length of time the fraud took place; the number of contacts the individual had with the authority; as well as the public interest test. The audit manager explained that various sanctions could be applied including prosecution, cautions and penalties.

In response to a question from Councillor Driver, the fraud verification team leader explained that benefit fraud came under social security legislation. This did not mean that those on lower incomes were targeted, but that any allegations made would need to be sifted so that officers focused on cases considered to be of priority.

RESOLVED to note the council's response to the Audit Commission's fraud and corruption survey 2010-11.

7. INTERNAL AUDIT AND COUNTER FRAUD PLANS 2011-12 UPDATE

The audit manager presented the report and answered members' questions. The target of 80 for benefit sanctions and prosecutions per annum was based upon the reasonable number of cases four officers could deal with per annum (20 each). With regard to the summary of NFI outcomes, 161 concessionary passes were shown as errors because the database was not up-to-date for deceased pass holders, however this was considered to be of low risk and not a fraud issue.

The chair raised concerns that last year's annual governance report stated that the council needed to complete a high number of internal audits, however resource issues had resulted in a fall in work completed. The deputy chief executive said that officers were reviewing the different pressures and priorities of teams.

RESOLVED to request a further progress update on the internal audit work programme at the audit committee in January 2012.

8. WHISTLEBLOWING SUMMARY 2010-11

The audit manager presented the report and said that officers were aiming to update the policy by April 2012. In response to a question from Councillor Jeraj, he said that if an individual raised an issue under the whistleblowing policy, but did not agree with the outcome, they could appeal to the ombudsman or even Crimestoppers.

RESOLVED to note the allegations made in 2010-11 under the council's whistleblowing policy.

9. RISK REGISTER

Councillor Makoff reminded members that they should be reviewing the risk register every six months but that the committee had not received an update since January 2011.

RESOLVED that a report on the risk register be presented at the audit committee in January 2012.

CHAIR