

**MINUTES OF THE AUDIT COMMITTEE  
MONDAY, 29 OCTOBER 2007**

**Councillors:** Rahman Khan (Chair), Bull, Davies, Gorrie, Mallett (Vice-Chair), Vanier, Whyte and Wilson

**Apologies:** None.

<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>PRAC27.</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>There were no apologies for absence received.</p>	
<b>PRAC28.</b>	<p><b>URGENT BUSINESS:</b></p> <p>None.</p>	
<b>PRAC29.</b>	<p><b>DECLARATIONS OF INTEREST:</b></p> <p>None.</p>	
<b>PRAC30.</b>	<p><b>MINUTES:</b></p> <p><b>RESOLVED</b></p> <p>That the minutes of the previous meeting, held on 23 July 2007, were agreed and signed by the Chair as a true and accurate account.</p>	
<b>PRAC31.</b>	<p><b>DEPUTATIONS AND PETITIONS</b></p> <p>None.</p>	
<b>PRAC32.</b>	<p><b>PROGRESS REPORT TO THE AUDIT COMMITTEE FROM THE AUDIT COMMISSION: (TO FOLLOW)</b></p> <p>The Committee was given an update on work undertaken since the last Audit Committee, as outlined in the Report. The Committee was advised that there continued to be a smooth handover of external audit measures between the Audit Commission and the Robson Rhodes (now Grant Thornton). The Committee noted that future progress reports would now come from Grant Thornton unless there was a specific need for an Audit Commission report. <b>Committee was also advised about the harder test framework for 2007 (single tier authorities), stating that the AC believe that the minimal changes to the existing framework and a consolidation of the approach will ensure that CPA continues to provide clear picture of councils' performance and support continuous improvement over the few years prior to the implementation of Comprehensive Area Assessment from April 2009</b></p> <p><b>RESOLVED</b></p>	

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	<ul style="list-style-type: none"><li>(i) That the report be noted</li><li>(ii) That thanks be expressed to Sheila Hill and the Audit Commission for their assistance over the last period.</li></ul>	
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<b>PRAC33.</b>	<b>AUDIT COMMITTEE UPDATE FROM GRANT THORNTON</b>  The Committee was advised of the process for handing over external auditing from the Audit Commission to Grant Thornton. Grant Thornton, as highlighted in their report to the Committee, noted that discussions continued between them and senior officers of the Council with particular focus on risks in the 2007/8 period especially on health inequalities and the ALMO.  The Committee was also advised that progress made with the deed of variation on the PFI contracts would continue to be fed-back to the Committee and that close working between Grant Thornton and the Council on this issue was on-going. The Committee noted that all tangible outputs from this working relationship would be highlighted in future update reports from Grant Thornton.  <b>RESOLVED</b>  That the report be noted.	
<b>PRAC34.</b>	<b>PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT - REPORT OF THE CHIEF FINANCE OFFICER:</b>  The Committee was given an update on the counter fraud performance of the Benefits and Local Taxation Service (BLTS) between 1 July 2007 and 30 September 2007. This included details of the May 2007 DWP Benefit Fraud Inspection which had made 20 recommendations for improvements in the fraud investigation process and benefit administration. The Committee was advised of counter fraud activity in the second quarter against its targets. In respect of overpayments, the Committee was informed that this figure stood at £413,545 to date related to fraud.  There were a number of questions put before the Committee and in the response the Committee was advised that the three assessed performance measures that are used to score the effectiveness of the BLTS security performance was as follows:  PM10 - There would be shortfall on the target of 30090, likely to be 21818 during 20078. This was reduction only, not including change of benefit. PM11 - This target of 90% would be comfortably achieved PM16 - Target was on-target to be met by the end of the year, currently at 2.65 against a target of 3.4 successful sanctions per 1000 caseloads.  In respect of the Inspection's 20 recommendations, the Committee was informed that the BLTS would go through a restructure to ensure value for money and quality work is achieved in order to ensure targets are met. Further, the Committee was informed that the current IT databases were being gradually replaced and that a robust	

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	<p>procurement/specification exercise was taking place to achieve this. In respect of QB50 notebooks, the Committee was informed that a business case had been made in April 2007 for these.</p> <p>The Committee was further advised that in respect of work to avoid prosecutions, the BLTS had measures in place to target this with a proactive approach. It was reported that current arrangements were reasonably well managed to ensure pro-activeness, but that the resources in place were set within the budgets given which are paid for by the Council. The benefits of countering fraud and overpayments went to the Department for Work and Pensions (DWP). From April 2008, when the Benefit Fraud Inspectorate merges with the Audit Commission, these wider aspects would be looked at centrally.</p> <p>Majority of the members of the committee expressed concerns over the emphasis of targets on fraud rather than on increasing benefit take-up. The Committee was informed that the DWP were setting the targets and that there were some 19 altogether – the three reported on relating specifically to fraud. Further, upon merger with the Audit Commission, it was unlikely that all of the targets would change despite the Council lobbying the DWP over its target setting policies. The Committee was informed that income maximisation in respect of benefit take-up was a Council priority and that processes to increase this were being looked at by the Director of Urban Environment who would report back to the Committee as necessary. The Committee was assured that progress on 20 recommendations would be reported back in due course.</p> <p><b>RESOLVED</b></p> <p>That the report and work being carried out by the BLTS in relation to counter fraud activity, upon being considered, be noted.</p>	
<p><b>PRAC35.</b></p>	<p><b>INTERNAL AUDIT 2ND QUARTER PROGRESS REPORT - REPORT OF HEAD OF AUDIT AND RISK MANAGEMENT:</b> <b>While taking up this report, the Chair stressed to the meeting that this report is very important for this committee as through various appendixes it outlined the position/ progress etc in respect of the following issues on the basis of internal Audit Reports by the external &amp; internal professionals:-</b></p> <ul style="list-style-type: none"><li>a) The activity of Deloittee &amp; Touche for the 2<sup>nd</sup> Quarter to date.</li><li>b) Position of outstanding priority 1 recommendations from 2004/05 and 2005/06.</li><li>c) In-house Team Fraud Investigation / irregularities/ claims of non-receipt of Council cheques.</li><li>d) Details of disciplinary suspensions / And or actions taken.</li></ul> <p>The Chair then asked the Head of the Audit to formally present the Report and after her presentation the Committee Members were asked</p>	

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to come forward with their queries & comments on the report.

The Committee was informed of work undertaken by the Internal Audit Service for the second quarter 2007/8 which involved a total of 25 projects completed to final report stage against 29 planned for this period as detailed in the report before the Committee. The Committee was advised that in respect of fraud investigation/irregularities, the second quarter had seen a number of allegations from fraudulent applications for housing, misuse of position for personal gain, and misuse of a disabled parking badge. The Committee noted that major issues for the attention of senior management highlighted in the Quarterly Report' Priority One recommendations list and a number of questions were answered on various entries within the Report and the statement of responsibilities.

The Committee was informed that equalities data was monitored by HR management for trends and policy development. Further, that reports on irregularities were turned around within a given time-frame and that this was monitored for performance purposes. The Committee noted that disciplinary cases were high and this was being monitored by risk managers. In respect of Value for Money (VFM) entry on the Audit Report, the Committee was informed that this would report back to the Committee in due course once all issues had been resolved. It was also informed that the external auditors continually looked at VFM on all resources matters. In respect of energy supply, the Committee was informed that the level of un-metered electricity supply to the Council would be fed back in due course. The Committee thanked the Acting Director of Finance and the Head of Audit and Risk Management for reducing the number of outstanding Priority One recommendations from 25 to 12, noting that the remaining 12 would be reported back to the Committee in due course. In future, these recommendations would need to be listed with target dates.

At the end, the Chair highlighted particularly the following points from the Auditors report on different heads, which he commented as not representing good practices and thus fraught with serious risks that needed to be monitored by the respective officers of the council, such as:-

a) **Project Management Assurance Work:** - "The governance structure for the project has not been formalised-- no risk register is in place & there are no change control procedures in place"—"A formal change control process should be developed."

b) **Cash Receipting:** "Monthly Bank Reconciliations are not always signed by a second officer as evidence of review."

c) **Creditors:** "Authorised signatory form are not updated regularly."

d) **Debtors:** "Invoices and credit notes are not always evidences as authorised."

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	<p>e) <b>Compliance with Council’s Procurement Procedures-Parks:</b> The internal audit noted that, “we are unable to provide assurance over the Tendering Procedures and Assessment of best value- registers are not maintained for tenders, quotations and waivers.”</p> <p>f) <b>Unannounced Spot Checks &amp; Establishment Audits- Adult Culture &amp; Community Services:</b> Internal Audit reported that “no asset register is maintained.”</p> <p>g)<b>Building Schools for the Future Procurement:-Finance</b> Auditor reported that “there were no terms of reference for the Board.”</p> <p>h) <b>Accounting &amp; General Ledger:</b> The Auditor noted that, “Line Managers do not always notify the Finance systems team—when an agency or temporary member of staff leaves the employment of the Council.”</p> <p>i) <b>Sure Start Early Years:</b> “There are no minutes of meetings undertaken by the Local Partnership Board for this financial year.”</p> <p>From the above, the Chair concluded that the lapses, mentioned above, some of them he believed were of the same nature of the lapses, as detected by the Audit Commission in their Tech Refresh Review Report, which caused massive overspends. As such needed careful attention by the appropriate authorised officers of the Council.</p> <p>.</p> <p><b>RESOLVED</b></p> <p>(i) That the audit coverage and progress during the second quarter 2007/8 and on the reports outstanding from 2006/7 be noted.</p> <p>(ii) That the progress and responses received in respect of outstanding audit recommendations be noted.</p> <p>(iii) That the appropriate officers of the Council should guard against happening of the referred lapses henceforth, as pointed out by the chair from the reports itself.</p> <p>iv) In the Quarterly reports, the positions of the outstanding recommendations be outlined, with target dates of any one remained outstanding.</p>	
<p><b>PRAC36.</b></p>	<p><b>REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE - REPORT OF HEAD OF AUDIT AND RISK MANAGEMENT:</b></p> <p>The Committee was advised that the level of compliance with the IPF Toolkit in relation to local authority audit committees and their effectiveness was high. It was also provided with the results of the Review and options for discussion and approval to ensure that the requirements of the IPF guidance were fulfilled, and that the Audit Commission feedback in relation to the Use of Resources assessments</p>	

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was appropriately addressed. There were a number of actions drawn from the Review as highlighted in bold within the Report before the Committee. The Committee received a summary of the main comments from Members during the Review as well as the timetable for implementing the outcomes of it. In respect of the external audit fee, the Committee was advised that this would be considered by the Committee in future once it had been negotiated by officers.

The Chair **quoted from the toolkit for Local Authority Audit Committees, page-35, Section 8- Heading-Administration, that, “for an audit committee to make effective use of its limited time it needs to have a secretary, who ideally should be a senior officer of the organisation so that the audit committee’s influence continues between meetings.”**

He also of the firm conviction that for proper scrutiny of the budget , a committee, independent of the Cabinet should be engaged for the proper certification stating the affairs of the authority were managed economically, effectively and effectively

**RESOLVED**

- (i) That the outcomes of the Review and current level of compliance with the IPF Toolkit be noted;
- (ii) That the actions to address the outstanding issues be agreed as the product of the Review, conducted by the Head of the Audit and as suggested by the Acting Director of Finance to agree an Action Plan **the meeting agreed the following course of actions:-**

**(a) to get advance clear time table and agenda,**

**(b)to make use of more informal meetings,**

**© to send out the summaries of the audit reports on a monthly basis,**

**(d)to use members’ interest/skills/specialists knowledge etc,**

**(e) to make reports more user friendly,**

**(f)to use the audit strategy as a discussion item, enabling members to have an input into the audit planning process,**

**(g) to publicise the work of audit committee, in addition to annual report to full council and**

**(h) to have the support and cover of a dedicated secretary for the Audit Committee, in conformity with the best practice guidance as set out by CIPFA and IPF.**

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**OF AUDIT AND RISK MANAGEMENT:**

Apart from the circulated report, the Committee received a presentation by the Head of the Audit ,outlining the progress made in implementing the Council's risk management strategy and was referred to the CIPFA guidance and IPF Toolkit in this respect. Members of the Committee noted that there would be Risk Management training for them on 19 November 2007. In respect of the Council's risks registers, the Committee was informed of the key issues facing risk registers at the business unit, departmental, and corporate levels. Before allowing members to ask questions / comments on the officers' report & presentation, the Chair gave his own presentation to the Committee, (quoting from the CIPFA Solace current guidance booklet", Section 7, particularly 7.3, Section 8.2 & 8.7 and reported to the meeting that in order to scrutinise the authority's' risk management, it was required by the committee to examine the corporate risk register along with the supporting series of departmental/ services risk registers to understand in a totality the logical and systematic method of risk management to minimise loses and maximise gains for the authority. In this task, as total picture was not available to the committee, he said that he was getting the impression that the Councils' departments/ business units as a whole had not yet developed appropriate Risk Registers, without which it was not possible for the Committee to scrutinise the Councils' Risk Management, as required under the guidance and Terms of Reference of the Audit Committee. So as a way forward, he suggested that the present Committee Clerk would write to the councils' designated officer for risks management to reply on the formatted questions, as per page-22 of the Toolkit, as supplied to the Committee Clerk at the meeting & on receipt of reply from the Councils' Officer to the questions laid around to them (Appendix A of these minutes), would write to all members of the Committee.

The Committee was informed by the Head of the Audit that all risk registers were now in place, but more revisions were needed.

At this, the Chair requested that all registers be inspected by Internal Audit and submit reports to the Committee, enabling the committee to discharge its duties and responsibilities, as laid down in the terms of reference of the Committee . The Head of the Audit advised that there would have to be objective assessments of the registers in order to make them valuable and effective. There would also need to be proper monitoring and feed back from relevant Corporate Directors on specific risks highlighted within each register. In reply, the Chair maintained the position that the Report outlined in point 6.3 stated that all current Risk Registers, in hard copy format would be over 500 pages register, but when a copy of that 500 pages register was forwarded to chair, the chair found only 281 pages of the 500 pages register, in that circumstances, the position became confused to him. However, some member wanted a brief report, outlying the full picture. As a way forward the Acting Director of Finance assured the Committee that in due course he would present a report, outlying the full picture of the strategic registers, supported by the other registers. The meeting agreed with that suggested way forward.



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	<p><b>RESOLVED</b></p> <p>(i) That the full picture of the Councils' entire Risk Registers be presented to the Audit Committee at the earliest, meanwhile the latest version of the corporate risk register, as presented to the committee be noted;</p> <p>(ii) That any changes, new risks and actions be reported to the Committee;</p> <p>(iii) That meanwhile, the committee clerk would write, with the formatted questions to the Councils' designated officer for risk management and would circulate the contents of the reply letter, as and when received to all members of the Audit Committee;</p> <p>(iv) However, on the basis of assurances by the Head of the Audit, the Committee expected that the Council Officers were managing the risks of the council adequately &amp; effectively. However, an update of the risks management be reported to each quarterly meetings of the Committee.</p>	
<p><b>PRAC38.</b></p>	<p><b>NEW ITEMS OF URGENT BUSINESS:</b></p> <p>None.</p>	
<p><b>PRAC39.</b></p>	<p><b>DATE OF NEXT MEETING:</b></p> <p><b>RESOLVED</b></p> <p>That the following dates were confirmed:</p> <ul style="list-style-type: none"> <li>• Monday 28 January 2008, 7:30pm</li> <li>• Monday 28 April 2008, 7:30pm</li> </ul>	

**Councillor Gmmh RAHMAN KHAN**  
Chair, Audit Committee 2007/8

**Date:**