
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	13 MAY 2008
PRESENT	COUNCILLORS PIERCE (CHAIR), BROOKS, CRISP, MOORE, R WATSON AND BOWGETT (SUBSTITUTE)
APOLOGIES	COUNCILLORS HOLVEY AND B WATSON

34. DECLARATIONS OF INTEREST

Members were invited to declare at this point in the meeting any personal or prejudicial interests they might have in the business on the agenda. No interests were declared.

35. MINUTES

RESOLVED: That the minutes of the Audit and Governance Committee meeting held on 15 January 2008 be approved and signed by the Chair as a correct record.

36. PUBLIC PARTICIPATION

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

37. ETHICAL GOVERNANCE AUDIT REPORTS

Members considered a report which presented details of progress made on the Ethical Governance Audit carried out on the Council by the Audit Commission. This information had already been brought to the Standards Committee, as the proper reporting body for the Audit.

Copies of the reports received by members of the Standards Committee at their meetings on 9 November 2007 and 25 January 2008 were attached as Annexes 1 and 2. These presented the Audit Commission's summary reports on Stages 1 and 2 of the Audit. Stage 3, which involved the delivery of Officer and Member workshops to deal with issues arising from the first two stages was due for completion in June.

In respect of the findings from Stage 1 (a review of the documentation in place to support the Council's governance framework), Members raised concerns about the process of appointing parish council members to the Standards Committee, in terms of the role of the Yorkshire Local Councils Association and the lack of information provided to new members. In respect of the findings from Stage 2 (an assessment of the awareness of

ethical governance issues by way of a questionnaire to Members and Officers), they expressed concern about some of the negative responses to the 'Leadership' section of the questionnaire. However, it was noted that these were in the minority.

RESOLVED: That the reports at Annexes 1 and 2, and the progress made on the Ethical Governance Audit, be noted.

REASON: To ensure the maintenance of high standards of ethical conduct in the Council, and in view of this Committee's overall role to review and monitor Corporate Governance arrangements.

38. BUILDING SUPPLIES: A REPORT FROM THE DISTRICT AUDITOR

Members considered a report which presented the summary report of the Audit Commission (AC) on the Council's procurement arrangements for the provision of building supplies by Neighbourhood Services.

The AC's report had arisen from the recent standard regularity audit of the Servitor Building Maintenance System. This had identified some control issues relating to the operation of the Council's new contract with Jewson Ltd. for the purchase of building supplies, specifically in the areas of invoicing and pricing arrangements. The AC had chosen to report these matters to the Audit and Governance Committee, prior to a full review of arrangements by Internal Audit in 2008/09. Officers had already accepted the recommendations, as detailed in the action plan contained in the summary report at Annex A.

Officers confirmed that building supplies procurement was a particularly difficult area to control, as it involved large numbers of low value items. A balance must be struck between the cost of control and the value of the items. There were now more controls in place than at the time of the audit and a programme of review had been built into the Council's annual Internal Audit Plan for the current year.

RESOLVED: That the recommendations of the Audit Commission, as set out in the report at Annex A, and their acceptance by Council Officers, be noted.

REASON: To ensure the maintenance of an effective internal control environment at the Council.

39. THE ANNUAL EXTERNAL AUDIT PLAN 2008/09

Members considered a report which invited them to comment upon and approve the Audit Commission's Audit and Inspection Plan for the year 2008/09. The Plan was attached as Annex A to the report.

In preparing the Plan, the Audit Commission had taken account of:

- the outcomes of the 2007 CPA Use of Resources work;

- the quality and coverage of work undertaken by Internal Audit;
- the key issues facing the organisation in the coming year;
- their assessment of the inherent audit risks arising;
- the requirements of the Code of Audit Practice.

In presenting the Plan to Members, the District Audit Manager highlighted the financial statements fee detailed in Appendix 2 and the initial risk assessment – use of resources and VFM conclusion in Appendix 3. The fee had risen by £6k but in comparative terms was now close to the average level of fees charged to local authorities by the Audit Commission. Appendix 3 identified those areas in which residual audit risk remained and the actions being taken to address these. Members expressed surprise that job evaluation had been identified as an area without residual risk. Officers confirmed that implementation of the new pay and grading structure would be dependent upon the outcome of the ballot on acceptance. The Chair drew attention to the Administration Accommodation (Hungate) project, which was also listed as a ‘no residual risk’ area in Appendix 3. He asked that steps be taken to enable the Committee to question the Head of Property Services on the contractual arrangements and safeguards associated with this project.

RESOLVED: (i) That the matters set out in the draft Annual Audit Plan be noted.

(ii) That the Plan be approved, as reflecting sufficiently the audit needs and interests of the Council.

REASON: To ensure the effective deployment of scarce external audit resources to best effect.

(iii) That a formal invitation be extended to the Head of Property Services to attend the next meeting of the Committee in order to report and respond to Members’ questions regarding the contractual arrangements and safeguards associated with the Administration Accommodation Project.¹

REASON: So that the Committee can be satisfied that the arrangements in place are sufficient and that the project poses no residual risk to the Council.

Action Required

1. Head of Property Services to report to / attend Committee SA meeting on 26/6/08

40. ANNUAL AUDIT AND FRAUD PLAN FOR 2008/09

Members considered a report which sought their approval for a planned programme of audit and fraud work to be undertaken during 2008/09.

The draft 2008/09 Internal Audit Plan was attached as Annex 1 to the report. This was intended to address the known key strategic risks and challenges facing the Council over the coming year. As in previous years, priority had been given to 'high' and 'medium' risk areas because current staffing levels did not allow all areas to be reviewed in accordance with the required frequency. The Committee would be consulted in the autumn as part of the annual review process for updating the audit risk assessment and 5 year Strategic Plan. Members queried whether any progress had been made in tackling sickness management and asked that a specific audit report on this issue be brought to a future meeting. *(Note: this request is dealt with by way of Resolution (iii) under Minute 41 below).*

The draft 2008/09 Counter Fraud Activity Plan was attached as Annex 2. This set out the main areas of work planned for the coming year, detailing available resources, proposed anti-fraud activities and expected outcomes. Much of the Fraud Team's work continued to involve the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. It was noted that the caseload for the Benefits Fraud Team was almost twice the national average.

RESOLVED: (i) That the 2008/09 Internal Audit and Counter Fraud Activity plans be approved.

REASON: To enable the Audit and Fraud plans to be delivered effectively.

(ii) That Officers be asked to bring a report to the Committee on the adequacy of staffing levels in the internal audit team.¹

REASON: To address the issues raised by Members in respect of the internal audit plans.

Action Required

1. Schedule a report on staffing levels in Internal Audit for a SA future Committee meeting.

41. THE ACTION PLAN ARISING FROM THE ANNUAL AUDIT LETTER 2006/07

Members considered a report which presented a plan of the actions required in 2008/09 in response to the issues highlighted by the District Auditor in his annual Audit Letter to the Council, which was reported to the Executive on 25 March 2008.

A copy of the Audit Letter was attached as Annex 1 to the report. As reported to the Executive, the District Auditor had noted many positive achievements and improvements, together with a number of areas for improvement and on-going performance issues to be addressed by the Council. Overall, the trend during 2006/07 was one of improvement. Since the Letter was a retrospective review of matters arising in the

previous audit year, some of the issues identified had already been dealt with or were no longer relevant.

A draft action plan, prepared in consultation with the Council's Corporate Management Team, was attached as Annex 2. This was based upon details of actions taken or proposed, as notified by the responsible Officers. Advice was still awaited from responsible Officers in relation to two areas for action; namely, partnership working (item no. 5 on the plan) and equality of access to services and VFM (item no.15 on the plan). Members also highlighted several other areas on which they would like to receive further information.

RESOLVED: (i) That the issues raised in the Annual Audit Letter and reported to the Executive on 25 March 2008, as set out in paragraphs 5 and 6 of the report and the Letter at Annex 1, be noted.

REASON: So that this Committee is aware of the scope and content of the Audit Letter.

(ii) That the draft action plan arising from the Audit Letter, attached as Annex 2 to the report, be endorsed.

REASON: So that the action plan for subsequent in-year monitoring and follow up purposes by this Committee during 2008/09 is agreed.

(iii) That the responsible Officers be asked to update Members on the actions to be taken in respect of items 1, 2, 3, 5 and 15 on the list at Annex 2, by way of reports to future meetings of this Committee, as follows:

- Item 1 (sickness absence) – report to meeting on 8/9/08¹
- Item 2 (data quality) – report to meeting on 26/6/08²
- Item 3 (equalities strategy) – report to meeting on 13/1/09³
- Item 5 (partnership working) – report to meeting on 8/9/08⁴
- Item 15 (equality of access/VFM) – report to meeting on 26/6/08, the Chair having written to the responsible Officer seeking clarification as to the action to be taken on this item.⁵

(iii) That, in respect of item 9 on the list (action to address customer satisfaction ratings) the Head of Marketing and Communications be asked to circulate a written update via e-mail to all Members of this Committee, prior to the next meeting in June.

REASON: So that Members can be satisfied that the action plan is complete.

Action Required

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| 1. Provide update report on sickness absence to A&G Committee meeting on 8/9/08. | GR
KS |
| 2. Provide update report on data quality to A&G Committee meeting on 26/6/08. | GR
JB |
| 3. Provide update report on equalities strategy to A&G Committee meeting on 13/1/09/ | GR
SC |
| 4. Provide update report on partnership working to A&G Committee meeting on 8/9/08. | |
| 5. Provide update report on equality of access to services / VFM to A&G Committee meeting on 26/6/08/ | |
| 6. Circulate update report via e-mail to A&G Committee Members before 26/6/08/ | |

42. 2007/08 ANNUAL GOVERNANCE STATEMENT

Members considered a report which provided details of progress made in preparing the 2007/08 Annual Governance Statement (AGS) (formerly the Statement on Internal Control, or SIC), and in addressing the significant control issues identified in the 2006/07 SIC.

As agreed by the Committee, the previous SIC system had been used as the basis for developing the AGS, subject to the changes as listed in paragraph 8 of the report. A copy of the timetable for preparation of the AGS was attached as Annex 1. To date, Internal Audit had reviewed the progress made to address the nine significant control issues identified in the 2006/07 SIC. Work was ongoing to improve the relevant governance arrangements and control framework. Further details of progress in this area were provided in Annex 2.

Internal Audit had also completed the amendments to the Directorate and Corporate control self assessments, to reflect the new requirements of the AGS. Directorates were now reviewing and completing their key control self assessments and Directorate responses were being verified as part of the review of governance arrangements by Internal Audit.

The Officer Governance Group would take account of the results of the follow up exercise prior to preparation of the draft AGS.

Members expressed concern that insufficient progress had been made on the planned action in respect of the mis-statement on the 2005/06 Statement of Accounts, as recorded in Annex 2.

RESOLVED: (i) That the results of the work completed to date by Internal Audit to prepare the 2007/08 AGS be noted.

REASON: So that Members are aware of the adequacy and effectiveness of the Council's control environment.

(ii) That the results of the follow up review of the 2006/07 SIC action plan be noted, with the observation recorded above.

REASON: So that Members are aware of the progress that has been made to address previously reported significant control issues and so that their comments are taken into account.

43. OFFICER GOVERNANCE GROUP 2007/08 WORK PROGRAMME OUT-TURN

Members considered a report which advised them of progress made during 2007/08 in respect of the Officer Governance Group (OGG) work programme, and arrangements for the on-going management of the OGG during 2008/09.

The remit of the OGG was to deliver a corporate governance programme on behalf of the Council, keep implementation under on-going review and report progress to the Corporate Management Team (CMT) and to this Committee. Its work programme for 2007/08 was attached as Annex 1 to the report. It was noted that much of this work had already been achieved or was in hand but that some key work was currently outstanding. This included:

- Sub-section 2 – stakeholder awareness and information work
- Sub-section 4b – financial health
- Sub-section 7 – money laundering
- Sub-section 11 – Audit & Governance training and awareness
- Sub-section 14e – review of Scrutiny.

It was also noted that the planned rollout of the MAGIQUE risk assessment system was still pending, after the IT Development Board rejected the required funding bid. Funding would be sought from contingency in 2008/09.

Arrangements had been made to hand over interim responsibility for the management of OGG to the Acting Head of Finance, with effect from 14 May, in view of the imminent departure of the Director of Resources and the Assistant Director of Resources in June 2008. It was suggested that a mid-term monitoring report be brought to the Committee in September to advise of the OGG's new work programme for 2008/09 and any key developments.

RESOLVED: (i) That the progress made in respect of the OGG's work programme in 2007/08, as set out in Annex 1 to the report, be noted.

REASON: In fulfilment of the delegated responsibilities of this Committee, as set out in Article 13 of the Council's Constitution.

(ii) That the outstanding matters detailed at paragraph 9 of the report be noted.

REASON: To ensure the effective management and follow-up of key action to be taken to support ongoing development and improvement work at the Council.

(iii) That the management arrangements for the OGG, in the light of the imminent departure of the current Director of Resources and Assistant Director (ARM), be noted.

REASON: To ensure the effective management of the key action to be taken to support ongoing development and improvement work at the Council in 2008/09.

(iv) That the need for the OGG to provide a mid-term monitoring report on progress in September 2008 be endorsed.¹

REASON: To ensure the effective management and follow-up of key action to be taken to support ongoing development and improvement work at the Council.

(v) That the importance of the MAGIQUE risk assessment system in embedding the Council's approach to risk management be drawn to the attention of the Executive.²

REASON: So that the significance of this matter can be taken into account when bids for funding from contingency are considered.

Action Required

1. Bring a mid-term monitoring report on the OGG work plan to A&G Committee meeting on 8/9/08 SA
SA
2. Bring this matter to the attention of the Executive.

44. RISK MANAGEMENT OUT-TURN REPORT 2007/08

Members considered a report which informed them of progress made during 2007/08 in delivering and embedding risk management arrangements across the Council and set out the key deliverables in the 2008/09 work plan.

The 2007/08 work plan had comprised two key work schemes – development of the corporate risk register, and training and communication. With regard to the first scheme, a comprehensive and robust corporate risk register had been compiled, including details of about 450 risks across all directorates. Eleven Key Corporate Risk focus areas had been identified for corporate monitoring purposes and agreed by the Executive in October 2007. These focus areas would form the basis of the quarterly risk monitors to CMT and Audit and Governance Committee. The first monitor had been due at CMT in April but delays around identifying and scoring key risks associated with the focus areas meant that it would not be presented until June. An example of the agreed format of the monitor was attached as Annex A to the report. With regard to the second

work scheme, the Corporate Risk Management Officer had delivered a comprehensive training programme during 2007/08, details of which were summarised in paragraph 9 of the report. Further sessions, including Member training, were being planned for 2008/09.

Risk management formed one of the key strands of the CPA inspection process. The Audit Commission would shortly be reviewing the documentation and evidence to determine the Council's 2007 refresh score. Much work had been undertaken during 2007/08 to ensure the requirement to score at least a 3 (good) in the 2007 refresh was met. The work plan for 2008/09 was attached as Annex B to the report. This took account of the need to embed risk management into Council processes, continue to raise awareness through further training and align the risk register to corporate priorities.

Members expressed concern at the apparent lack of Member engagement with the risk management training process to date and suggested that efforts be made to improve attendance at future training events.

RESOLVED: That the contents of the report be noted.

REASON: So that the Committee is aware of the progress made to date in respect of the risk management framework at the Council and the 2008/09 work programme.

45. FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS

Members considered a report which outlined progress made by departments in implementing agreed audit recommendations due for implementation by February 2008. The report also summarised progress in addressing the recommendations relating to Criminal Records Bureau (CRB) checks and the 2007/08 Car Parking audit, for which Members had requested a priority follow-up.

A total of 158 recommendations, of which 5 were classified as high priority, had been followed up. Three had been superseded, 133 had been satisfactorily implemented and 20 had not been implemented. These had been referred back to the relevant service manager or assistant director and a revised implementation deadline agreed in each case. They would be followed up again after the revised deadline.

The follow up of the recommendation to carry out CRB checks on all new and existing staff working with young people had concluded that this recommendation had now been implemented. With regard to the follow up audit of car parking, it was reported at the meeting that action had been taken in respect of both the control issues raised. Officers were satisfied that adequate progress had been made on the reconciliation of income issue and that the control gap had been closed on the issue of delivery of cash boxes to the cashiers.

RESOLVED: That the progress made in implementing the audit recommendations, as reported in paragraphs 7 to 12 and

verbally at the meeting, be noted, with thanks to the relevant Officers.

REASON: To fulfil the role of this Committee in providing independent assurance on the Council's control environment.

46. REVIEW OF THE COUNCIL'S COUNTER FRAUD AND CORRUPTION POLICIES

Members considered a report which advised them of recent changes to the Council's counter fraud and corruption policy framework, including the adoption of a new Counter Fraud and Corruption Policy, and sought approval for a set of proposed monitoring arrangements for the new framework.

Although the Council's working practices in this area were regarded as exemplary, it had been considered appropriate to adopt an over-arching Counter Fraud and Corruption Policy to document the approach being taken and demonstrate its consistency with best practice. In doing so, it had also been considered necessary to review and refresh the existing Fraud and Corruption Prosecution Policy. The new Policy and the revisions to the Prosecution Policy had been approved by the Executive Member for Corporate Services on 18 March 2008. Copies were attached to the report as Annex 1 and Annex 2 respectively.

With regard to monitoring arrangements, it was proposed that an annual report on the application of the two policies be brought to this Committee each January. The report would identify new and emerging fraud and corruption risks and provide summary details of fraud and corruption cases that had been investigated in the previous year. The results would inform future development of the policy framework and assist in preparing the annual audit plan.

RESOLVED: (i) That the new Counter Fraud and Corruption Policy, and the changes to the Prosecution Policy, be noted.

REASON: To ensure that the Council has robust arrangements in place to counter fraud and corruption.

(ii) that the proposed monitoring arrangements for the counter fraud and corruption policy framework be approved.

REASON: To ensure that the Council's Counter Fraud and Corruption policies remain effective.

47. CHAIR'S REMARKS - ASSISTANT DIRECTOR OF RESOURCES (AUDIT AND RISK MANAGEMENT)

The Chair noted that this was the last meeting of the Committee to be attended by the current Assistant Director (Audit and Risk Management), Liz Ackroyd, who was leaving the Council in June. On behalf of Members,

he thanked Liz for her service to the Committee and wished her well in her new post as Director of Finance at the Borough of Poole Council.

R Pierce, Chair

[The meeting started at 5.30 pm and finished at 8.15 pm].