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## **EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 15 AUGUST 2011**

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### **AUC.54/11      AUDIT SERVICES PROGRESS REPORT**

Councillor Mrs Mallinson, having declared a personal interest, remained within the meeting room and took part in discussion on this item of business.

The Interim Audit Manager submitted report RD.33/11 summarising the work carried out by Audit Services since the previous report to Committee on 5 July 2011 and detailing the progress made against the 2011/12 Audit Plan up to 22 July 2011. She indicated that progress had been made on a number of high risk audit reviews along with work undertaken on the National Fraud Initiative data matching exercise, requests for unplanned work and the completion of remaining audits brought forward from 2010/11. She informed Members that 171 days of the 535 total direct audit days expected in 2011/12 were delivered by 22 July 2011. That was slightly above target of 165 days for the position in the year.

The Interim Audit Manager explained that the Audit Plan had to be flexible to meet the changing needs of the authority, together with issues that may arise during the course of the year that may require Audit's attention. The Audit Manager was responsible for drafting the necessary changes to accommodate requests for unplanned work which were then discussed with the Assistant Director (Resources) prior to approval by the Audit Committee. She outlined two changes to the agreed Audit Plan for consideration by Members. They required the substitution of two planned audits for two unplanned audits, details of which were provided. Both proposed amendments had been discussed and agreed with the Assistant Director (Resources).

A Member noted that Procurement General was last examined in September 2010 and, as a sizeable area, it had been intended that the next planned audit should concentrate on the authority's revised e-purchasing arrangements. She questioned why there had been limited developments in that area as a result of which it was deemed appropriate to postpone the review until 2012/13.

In response, the Assistant Director (Resources) explained that the introduction of the new Procurement Strategy necessitated a significant cultural change within the authority. Procurement would be via The Chest system, meaning that a great deal of training was required. He added that it was at the current time too early to measure outcomes and therefore the review should be deferred.

Another Member was concerned at the proposals to defer the two planned audits. He was particularly disappointed that the audit of Supporting People (Hostels and Resource Centre) was to be deferred. There were many issues around supporting people, and particularly homeless people, as evidenced in discussions at the Council meeting on 19 July 2011. The Member did accept that on occasion urgent audits required to be done, but questioned whether the audit of supporting people proposed for deferral was in fact the correct one.

In response, the Chairman suggested that Members should agree to the proposed changes to the Audit Plan, subject to the Assistant Director (Resources) submitting updates on procurement / purchasing and supporting people to the Committee after Christmas. That would enable the Committee to take an informed view as to when thorough audits of those areas could proceed.

The Interim Audit Manager then reported that, whilst there were no issues concerning follow up reviews, a comprehensive follow up of all recommendations emanating from the Audit of Grants was currently under way and the outcome of that would be reported once the exercise was fully complete.

She further reported that there were four recommendations from the audit report on the ICT Security Policy which had been followed up with the ICT Shared Service Manager and the status of those recommendations was included in the Action Plan Appended to this report. Particular reference was made to the actions taken to address Recommendation (A6), with Members having previously considered the associated risks surrounding the adequacy of data storage capacity when the report was presented to the Audit Committee in September 2010. It was advised that whilst monthly monitoring procedures were in place, capacity planning was to be considered when the new IT infrastructure to support the ICT Shared Service was planned which was expected by March 2011. An update on progress advised that the new infrastructure was now in place along with the tools to monitor usage. That would enable ictCONNECT to undertake capacity planning for all systems and data stores.

All remaining audit recommendations had been actioned and no further follow up work was deemed necessary.

In response to a question, the Interim Audit Manager advised that ICT was a large cross-cutting area. Other ICT audits were planned for the coming year which should ensure that necessary procedures were in place.

Following recommendations to amend the format of reports to the Committee the Interim Audit Manager advised that there were two final audit reports to be considered by Members. Those related to the Audits of Housing and Council Tax Benefit Overpayments and Properties with Rents and she outlined the content and recommendations in some detail.

Referring to the Audit of Housing and Council Tax Benefit Overpayments (Recommendation A1 – there are no comprehensive overpayment procedure notes available), a Member asked whether the 31 August 2011 deadline to ensure that procedures were fully defined and documented for Carlisle was likely to be met.

In response, the Assistant Director (Resources) said that he had met with the Assistant Director (Community Engagement) and the Partnership Manager on several occasions. A number of issues had impacted upon the situation, including the long-term sickness of the Team Leader (based in Allerdale) and the vacant Benefits Officer post here in Carlisle.

The Assistant Director (Resources) had arranged for recovery to be undertaken by the City Council's Senior Recovery Officer. Work was progressing, but he could not guarantee that would be completed by 31 August 2011.

The Chairman requested that a further report be submitted to the Committee should the deadlines set out in the audit report not be met.

Referring to Recommendation A3 (deadline 30 June 2011), the Chairman asked whether a sample selection of letters to claimants had been quality checked prior to posting to highlight any obvious anomalies.

The Assistant Director (Resources) confirmed that upon receipt of that recommendation he had immediately arranged for a member of the Finance Team to go through every single debt. A technical report was prepared and the issue was therefore progressing.

The Assistant Director (Resources) stressed that recovery was particularly important since the City Council had to pick up the majority of the costs if monies were not recovered. By way of background, he reported that he had recognised that performance had reduced in all three authorities (Allerdale, Copeland and Carlisle) and had therefore requested an audit as a matter of extreme urgency. He then outlined for Members the issues which impacted upon performance, particularly around overpayment recovery, and the temporary resources put in place to address the recommendations contained within the audit report. Associated costs would be met from recession monies provided by Government.

Referring to the backlog in overpayment work, a Member questioned whether action should have been taken earlier.

In response, the Assistant Director (Resources) stated that as soon as a downward trend was identified he had become instantly involved with a view to taking action to address the matter.

A Member recognised the difficulties around attracting trained benefits staff to fill vacancies and asked whether the duties associated to the vacant post had been delegated.

The Assistant Director (Resources) replied that, whilst it was not possible to bring in temporary resources to undertake the full range of duties, experienced sundry debtors staff could assist with the backlog.

The Interim Audit Manager added that the Benefit Officer post had now been advertised in the Shared Service.

A Member noted that at 19 April 2011 there were 131 cases with a value of £69,414.27 whereby the claimant had incurred an overpayment. He sought clarification of the current position.

In response, the Assistant Director (Resources) advised that the cases would now have moved on to the next stage. Reports concerning Bad Debt Write-offs would be submitted to the Executive on 30 August 2011.

A Member questioned what action was being taken internally to react to the absence of key Officers during periods of sickness, etc.

The Assistant Director (Resources) replied that that was a matter for the Shared Service.

The Audit Manager commented that the Revenues and Benefits Shared Service was a provider of key services for the authority and Members needed to ensure that continued.

The Chairman recommended that the Committee look at the Revenues and Benefits Shared Service and related protocols at a future meeting. She thanked the Assistant Director (Resources) for his diligence in picking the matter up and Audit Staff for what was a very comprehensive report.

The Chairman further sought an assurance that the control reports in IMAN and Academy were being fully utilised, which could form part of the Assistant Director's update report on the audit recommendations.

She then emphasised the importance of ensuring that records of telephone conversations and e-mails were filed on a corporate basis. That was particularly important from a freedom of information point of view.

The Legal Services Manager advised that a programme of training for Members and Officers, including freedom of information, was being rolled out as part of the Ethical Governance Programme. The Assistant Director (Resources) added that Benefits software prompted staff to make file notes.

The Committee then gave consideration to the Audit of Properties with Rents.

A Member referred to the issue of void properties and monitoring of lease conditions which appeared to be a significant concern in terms of risk for the authority. She questioned whether an update would be forthcoming.

The Interim Audit Manager advised that mechanisms were accepted by management to address the points referred to and these will be followed up in six months in accordance with standard practice.

RESOLVED – (1) That report RD.33/11 be received and progress made against the agreed 2011/12 Audit Plan be noted.

(2) That the Audit Committee had considered and agreed the proposed changes to the Audit Plan, as detailed within the report, subject to the Assistant Director (Resources) submitting a report (with input from relevant Officers) updating Members on the areas of Procurement and Supporting People after Christmas 2011. That would enable the Audit Committee to take an informed view as to when thorough audits of those areas could proceed.

(3) That the Executive be informed that the Audit Committee had considered the final audit of Housing and Council Tax Benefits Overpayments and had raised concerns as outlined above. Members were particularly concerned to ensure that the deadlines for completion of the agreed actions in response to the various recommendations were adhered to. The Committee had therefore requested a further report, setting out the current position with regard to the recommendations contained within the audit, should those deadlines not be met by the due dates.

The Committee wished to extend an invitation to the Portfolio Holder to attend their next meeting in September 2011.

(4) That the Audit Committee would give consideration to the Revenues and Benefits Shared Service at a future meeting.