

AUDIT COMMITTEE

MONDAY 31 OCTOBER 2011 AT 10.00 AM

PRESENT: Councillor Mrs Mallinson (Chairman), Councillors Bowditch (as substitute for Councillor Boaden), Ms Franklin, Nedved and Whalen (as substitute for Councillor Ms Patrick)

ALSO

PRESENT: Mr Richard McGahon - Audit Manager, Audit Commission

AUC.71/11 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Boaden, Ms Patrick and Lishman, Karen Murray - District Auditor, Audit Commission and Alison Taylor, Financial Services Manager.

AUC.72/11 DECLARATION OF INTEREST

Councillor Mrs Mallinson declared a personal interest in accordance with the Council's Code of Conduct in respect of Agenda item A.6 – Corporate Risk Management. The interest related to the fact that she was the Council appointed representative on the Riverside Carlisle Board and was a Member of Cumbria County Council.

Councillor Nedved declared a personal interest in accordance with the Council's Code of Conduct in respect of the Minutes of the Previous Meeting items AUC.61/11 and AUC.70/11. The interest related to the fact that he was a Member of the Development Control Committee.

Councillor Whalen declared a personal interest in accordance with the Council's Code of Conduct in respect of the Minutes of the Previous Meeting items AUC.61/11 and AUC.70/11. The interest related to the fact that he was a Member of the Development Control Committee.

AUC.73/11 MINUTES

The Minutes of the meeting of the Audit Committee held on 27 September 2011 were submitted.

The Chairman congratulated Mrs Gill Martin on her recent appointment as Audit Manager and thanked everyone involved in the consideration of the Audit Commission's report regarding Carlisle Airport.

RESOLVED – That the Minutes of the meeting held on 27 September 2011 be received.

AUC.74/11 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 13 October 2011 were submitted for information.

RESOLVED – That the Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 13 October 2011 be noted and received.

AUC.75/11 FUTURE OF THE AUDIT COMMISSION

The Audit Manager (Audit Commission) provided a verbal update on the future of the Audit Commission.

He informed Members that the Audit Commission had issued invitations to tender to 13 potential 'external audit' providers who had met the pre qualification requirements in relation to the principal bodies' procurement. The tenderers had until 16 December 2011 to submit their completed tender response. Following the tender process, there would be a consultation with audited bodies on the appointments and the approval of the appointments would take place in July 2012. The appointments for 2012/13 would commence on 1 September 2012 and staff would be transferred to the successful firms by 31 October 2012.

The Audit Manager agreed to circulate the timetable for the process.

The Chairman asked if the matter had been raised at the Cumbria Leadership Board. The Acting Town Clerk and Chief Executive responded that the Executive had asked him to write to all other local Chief Executives but he had not yet had any responses.

The Audit Manager (Audit Commission) reminded the Committee that Local Authorities would not have to reach a decision with regard to the procurement of audit services for at least three years.

RESOLVED – That the Audit Committee welcomed the verbal report provided by the Audit Manager.

AUC.76/11 AUDIT SERVICES PROGRESS REPORT

The Audit Manager submitted report RD.58/11 summarising the work carried out by Audit Services since the previous report to Committee on 27 September 2011 and detailing the progress made against the 2011/12 Audit Plan up to 30 September 2011 (quarter 2 position). She informed Members that 250 days (46.7%) of the 535 total direct audit days expected in 2011/12

had been delivered by 30 September 2011, which was only marginally under the target for that position in the year (254 days – 47.5%).

Appendix A to the report showed that there had been overruns, totalling 43 days, on some of the planned audits delivered in the first six months, which had had an impact on the number of completed audits expected to have been delivered by the half year position. Whilst the use of the contingency had been made to address some of that overrun, there was a recognised need to claw back that time during the next six months by reassessing the time allocations on some of the remaining higher / medium risk and ICT audits in the Plan; and addressing the additional time required to complete the unplanned audit of the Connect 2 Cycleway Project.

The Audit Manager reminded the Committee that the last audit review of Grants, completed in September 2010, was carried out as part of the Material Systems Programme in place at that time. A total of twenty four audit recommendations arose from that review and, based upon the nature and grading of those recommendations, a restricted assurance rating was given to that audit area. In line with agreed audit practice, a comprehensive follow up of those recommendations had been now completed. She added that the follow up audit had highlighted several issues which had impacted on the ability of Officers to successfully implement some of the agreed actions to address the recommendations, details of which were provided. The completeness of the actions taken had been examined from which it was found that, whilst actions had been taken to address some of the issues raised, those were insufficient to effectively address recommendations of a corporate nature (relating in the main to the provision of training to Officers).

Despite the recognised need for further training raised by the audit, no such training had been scheduled for staff since the audit review. The matter had recently been discussed at a meeting of the Ethical Governance Group, from which it was understood that final accounts training had been organised for 21 March which would cover the year end requirements for the submission of grant claims and supporting evidence to the Auditors. The training should be compulsory for all Officers with grant processing responsibilities and tailored to the City Council's procedures surrounding grant monitoring and control, including seeking grant assistance, authorisation and administrative processes, financial controls and other reporting requirements. In addition, the need for key quality checks to be undertaken throughout the course of the grant, with specific attention on the detail required to support the submission of claims, should be covered.

The Audit Manager further highlighted that the need for enhancements to the quality checks on grant documentation held by responsible departments had been raised by the audit. She added that further audit work was scheduled for completion in the last quarter of 2011/12 involving a quality review of a sample of grant claims and revisiting the actions taken to provide the necessary training to Officers mentioned above.

There were no other issues concerning follow up reviews which needed to be brought to Members' attention at that time.

The Assistant Director (Governance) confirmed that the Ethical Governance Group had identified a programme of training which would be carried out by both internal and external trainers and the programme included the final accounts training in March 2012.

The Audit Manager (Audit Commission) commented that key issues from the Audit of Grants had been the requirement for training and better relationships between the relevant Directorates and the Finance team. He reminded the Committee that the Council hosted a Revenues and Benefits Shared Service which completed claims for Housing Benefit, Council Tax and National Non Domestic Ratepayers on behalf of two other authorities and further audit work was required for this.

The Committee agreed that all officers that dealt with grants should be able to demonstrate that they had received the required training.

The Audit Manager then outlined in some detail the content of and ratings attached to the final reports on the Audits of Insurance Arrangements and Bereavement Services, copies of which were appended to her report.

The Committee considered each of the final reports separately:

Audit of Insurance Arrangements

The Audit Manager drew the Committee's attention to the key findings which arose from the audit of Insurance Arrangements and the measures which had been put in place to address the issues.

In response to a Member's question the Audit Manager explained that the recommendations from the Audit of Insurance Arrangements would result in small savings but would primarily tighten up processes.

The Assistant Director (Governance) highlighted recommendation R13 of the Audit which highlighted the potential Health and Safety risks in Highway Services. The Safety, Health and Environmental Manager had given his advice and recommendations and the outcome was dependent on the take up of the advice by the Local Environment Managers. The Assistant Director (Governance) felt that it should not be optional for Managers to act on such advice especially in such important matters.

He reminded the Committee that the Safety, Health and Environmental Manager did not have the authority to insist that officers followed his advice and that it was up to SMT and this Committee to support the advice and give strength to his recommendations.

The Chairman asked for clarification with regard to recommendation R10 which stated that the Highways Insurance Claim contract had not been

tendered. The Chief Accountant explained that the insurance contract for all Council policies had been out for tender in 2008 and included the Highways Insurance contract.

The Audit Manager informed the Committee that the actions within the Action Plan came from the clients and would be monitored in six months. If there was inappropriate action or no action taken against the recommendations then the Plan would come back to the Audit Committee.

Audit of Bereavement Services

The Audit Manager reported that the last audit of Bereavement Services had been carried out in 2008/09 and outstanding recommendations from that audit had been included in this audit.

The Audit Manager explained that the audit testing had not flagged any transactional issues with regards to Bereavement Services Income but had highlighted the issue of working outside of corporate systems; namely the cash receipting and debtor management systems.

She highlighted the key findings which arose from the Audit and explained that there were a number of historic working practices in place and most of the Audit's recommendations would be addressed by the Lean Systems Thinking Review (LSTR) which was underway. She explained that Audit Services were not involved in the LSTR but would be kept up to date on the process and this would help to inform the audit follow up of this area which was to be undertaken in six months time.

RESOLVED – (1) That an update in relation to R13 concerning potential Health and Safety risks as detailed in the Action Plan of the Audit of Insurance Arrangements be submitted to the next meeting of the Audit Committee;

(2) That the Committees concerns regarding recommendation R13 be passed onto the Assistant Director (Local Environment) and the Environment and Housing Portfolio Holder

(3) That a brief update on recommendation R6 as set out in the Audit of Bereavement Services be submitted to the next meeting of the Committee

(4) That an update on the outcome of the actions made in the Bereavement Services Audit, including the comments of the Assistant Director (Resources), be submitted to the Committee in April 2012.

AUC.77/11 ANNUAL REVIEW OF THE FINANCIAL PROCEDURE RULES

The Chief Accountant presented report RD.59/11 setting out details of proposed amendments to the Council's Financial Procedure Rules.

Members' attention was drawn to the proposed changes detailed in the Appendix to the report, many of which were of a general housekeeping nature, with the exception of item 19 relating to the writing off of bad debts.

The Chief Accountant explained that the proposed amendment would give the Assistant Director (Resources) discretion to write off bad debts, without limit, which was consistent with the Scheme of Delegation. If approved, that would align both documents. That amendment had been discussed with the Leader and the Governance and Resources Portfolio Holder. He added that all bad debt writes offs would continue to be submitted to the Executive.

RESOLVED – That the amendments to the Financial Procedure Rules, as detailed within report RD.59/11, be agreed and recommended to the City Council for formal approval.

AUC.78/11 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Chief Accountant presented report RD.60/11 updating the Committee on progress made to the Annual Governance Statement Action Plan, which now included the Carlisle Airport Planning Application which was deemed as “significant”.

He informed Members that in accordance with established practice the Action Plan was monitored and the updated status reported to Members of the Committee on a quarterly basis. The Chief Accountant added that there were no other issues identified as significant, or new areas of risk arising from the Audit Reviews or from the Risk Registers which needed to be drawn to Members' attention at the current meeting.

A Member highlighted the Community Empowerment Pilots and stressed the need to keep local Ward Members involved in any future dialogue. The Chairman commented that this matter should continue to be monitored by remaining in the Annual Governance Statement Action Plan.

RESOLVED – (1) That the Community Empowerment Pilots remain in the Annual Governance Statement Action Plan for a further Council cycle;

(2) That an update on the Carlisle Airport Planning Application be submitted to the next meeting of the Committee.

AUC.79/11 CORPORATE RISK MANAGEMENT

The Acting Town Clerk and Chief Executive submitted report CE.29/11 providing an update on the Council's risk management arrangements.

The Corporate Risk Register had been reviewed by the Senior Management Team and the Corporate Risk Management Group. During the last quarter, the Current Action Status / Control Strategy sections had been addressed and

the scoring of certain risks amended accordingly as detailed in Appendix A to the report.

The Acting Town Clerk and Chief Executive reminded Members that Travellers, the Council's insurance company, had carried out a risk management health check in April 2011. Six non mandatory issues were identified during the assessment and recommendations made, namely:

- Driver Assessment Scheme for all employees who drive on Council business
- Driver licence and insurance checks
- Driver handbook to include Council's road safety policy, drivers' code of conduct, reporting of accidents, driver assessments and driver licence requirements
- Tree stock survey
- Measure of operator exposure time to harmful vibration
- Improved health and safety arrangements within Highway Services

Whilst non of the recommendations were mandatory, implementing them was considered to be good practice and may help the Council defend potential claims. A number of systems were already in the process of being updated and an Action Plan had been put in place to address the other issues raised (Appendix B).

In conclusion, the Acting Town Clerk and Chief Executive asked the Committee to note the content of his report as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

The Assistant Director (Governance) informed the Committee that a clear action had been made with regard to the improved health and safety arrangements with Highways Services and the Risk Management Group would take that action forward.

In response to questions the Acting Town Clerk and Chief Executive reported that the driver licence checks were near completion and he informed the Committee that the driver assessment scheme was mandatory for individuals who drove Council vehicles; to carry out the Driver Assessment Scheme on Essential Car Users would require the consent of the Essential Car User.

RESOLVED – (1) That the Audit Committee noted the content of Report CE.29/11 as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

(2) That an update on Appendix B of report CE.29/11 be submitted to the next meeting of the Committee.

[The meeting ended at 11.00am]