

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, CHELMSFORD ON 28 JUNE 2010

Membership

* W J C Dick	* C Riley
* A M Hedley	* T Sargeant
* M C M Lager (Chairman)	T C Smith-Hughes (Vice-Chairman)
* Mrs I Pummell	

(* present)

The following officers were present in support throughout the meeting:

Cajetan Chukwulozie, Head of Internal Audit and Risk Management
Hannah Cleary, Governance Officer
Colin Ismay, Governance Manager
Margaret Lee, Director for Finance
Tim Madden, Head of Corporate Finance

Louise Wishart, Audit Manager, Rob Murray, District Auditor and Natalie Thoms from the Audit Commission (External Auditors) were also present.

36. Apologies for Absence

Apologies for absence were received from Councillor Tom Smith-Hughes. Councillors Riley and Sargeant were in attendance to ensure the Committee was quorate.

37. Minutes

The minutes of the meeting held on 17 May 2010 were approved as a correct record and signed by the Chairman.

38. Declarations of Interest

Councillor Lager declared a personal interest relating to him being a member of the Pension Fund Steering Board for items 5 (Approval of the Statement of Accounts for 2009/10) and item 6 (Pension Fund 2009/10 Audit Opinion Plan).

39. Variation in the Order of Business

The Chairman proposed a variation in the order of business taking Item 7 – Review of the Building Schools for the Future Programme, as the next item of business, followed by Item 4 – Annual Governance Statement. The remaining items would be taken in order of the agenda. The proposal was agreed.

39. Review of the Building Schools for the Future Programme

Ian Davidson from the Audit Commission presented the report to the Committee. He highlighted that the report was a good news story with no major concerns or

value for money issues identified during the inspection. The Council had approached the Building Schools for the Future programme as an opportunity to raise educational attainment and achievement, with improved teaching and learning at the forefront of the programme. Whilst the Council demonstrated effective planning for projected secondary school pupil numbers, the inspection found that there was more work to do in planning for pupils with additional needs.

The Committee were pleased that the report reflected that the Council had learned from previous school place planning issues, and **a recommendation was agreed that:**

1. The Children and Young People Policy and Scrutiny Committee review the Building Schools for the Future Programme and monitor progress.

40. Annual Governance Statement 2009/10

Margaret Lee, Director for Finance introduced the report which could be found from page 140 within the Statement of Accounts document.

Margaret drew attention to the action that contained four specific items that were being monitored and addressed in conjunction with the Leader of the Council.

The Committee asked to be included in the future monitoring of the action plan and this was agreed.

RESOLVED:

- 1. That the content of the Annual Governance Statement be accepted.**

41. Approval of the Statement of Accounts for 2009/10

Margaret Lee, Director for Finance introduced the Statement of Accounts to the Committee and thanked officers for their hard work and efforts in producing the incredibly complex report.

The Committee were concerned at the late distribution of the report and drew attention to the action plan and closure of accounts project manager that had been put in place to address the timeliness issues that had also occurred at the same meeting in 2009.

Margaret Lee explained that the Finance Team had worked hard throughout the year to address and resolve the action plan issues. The late distribution of the report had not been due to any of these factors, but as a result of three main matters that had affected the Accounts very late on in the process. The first of these was the cuts that were announced by the Chancellor on 22 June, resulting in the Council losing part of the LAA Reward Grant, requiring significant necessary re-calculations. Secondly, the traded company, Essex Cares had required additional support from the Finance Team to administer their first year of account close down, which had been complex and approval had been required

from their Auditors before the Council could start to include this information into the main Statement. Thirdly, the Council had not received all the required information from District and Borough Councils pertaining to their council tax creditors and debtors on time, which was a new inclusion in the Accounts for this year, and had resulted in further delays. Whilst these figures could be requested earlier next year, any information received would be an estimation of the final figures.

Tim Madden, Head of Corporate Finance gave a presentation to the Committee, highlighting the main areas of expenditure, general balances, and over/under spends.

The Committee asked about the increase in liabilities shown on the balance sheet. Margaret Lee explained that the biggest increase was due to payments to creditors, which were monitored regularly to ensure the situation remained controlled.

The Committee **agreed** to add creditor payments and balance sheet liabilities onto the Forward Look as topics for future consideration.

RESOLVED:

2. That the 2009/10 Statement of Accounts be approved and the Chairman be authorised to sign the Statement as to its approval.

42. Pension Fund 2009/10 Audit Opinion Plan

Rob Murray from the Audit Commission introduced the report and drew attention to the fee scales that had recently been revised. Negotiations were continuing with the Council to agree the final fee for the inspection of the Pension Fund and once confirmed a letter detailing the outcome would be presented at a future meeting.

43. Internal Audit Annual Report

Cajetan Chukwulozie, Head of Internal Audit and Risk Management introduced the report and drew attention to the limited assurance levels that required further work in the future. An increased number of referrals had been made to the Internal Audit Team throughout the year resulting in extensive investigations being conducted. Other Local Authorities had also seen an increase of referrals nationally. The number of areas given substantial assurance was encouraging although there were still issues around school balances. Significant progress had been made in risk management including the integration of risk management systems.

Councillor Pummell expressed concern at the level of financial abuse of the vulnerable which had risen by 180% over the last 12 months and the number of fraud referrals that were still outstanding.

Cajetan explained that referrals were difficult to close as some were with the Police. Two recent successful prosecutions were initiated in 2007.

The level of financial abuse of the vulnerable was mainly perpetrated by individuals employed by external companies. All cases were being addressed in collaboration with the Police, although the increase had been quite phenomenal.

Margaret Lee added that staff felt more confident in making referrals and having them taken seriously by the Internal Audit Team, which could go some way to explaining the increase.

The Committee asked for further information behind the raw data for the financial abuse of the vulnerable, corporate credit cards and schools. Cajetan expressed concern that providing more information in public may erode the trust of those who had made referrals.

The Committee expressed concern at the level of no assurance for child protection referrals. Cajetan responded that child protection referrals were being addressed as part of the Children's Services Improvement Plan.

The Committee asked if the overall level of 'adequate' awarded to the Council was sufficient. Margaret Lee acknowledged that a much higher rating would have been preferable, and it was hoped that the issues around governance would be addressed in time to achieve a higher level next year.

Councillor Riley asked for details of the actions that would be taken against the levels of no assurance. Cajetan explained that an action plan would be competed for each no assurance level and progress reviewed after 6 months by Internal Audit, although responsibility for addressing the issues remains with the Service Director. Margaret Lee added that a service assurance statement has to be produced by each Directorate to demonstrate they are implementing recommendations made by Internal Audit. Any non-compliance results in a low score that is sent to the Chief Executive. In addition, a report is submitted to the Corporate Leadership Team to ensure a robust review takes place.

The Committee accepted the report and **agreed** that:

1. The no assurance level for child protection referrals would be formally brought to the attention of the Children and Young People Policy and Scrutiny Committee;
2. The increase in financial abuse of the vulnerable would be formally brought to the attention of the Community Wellbeing and Older People Policy and Scrutiny Committee.

44. Draft Risk Management Strategy

Cajetan Chukwulozie, Head of Internal Audit and Risk Management introduced the report as a public information document and tool for managing risk.

Councillor Pummell asked about the deadlines for completion of actions contained within the report having passed in some instances. Cajetan explained

that the document had been drafted some time ago and that the actions to be addressed in the report had either been completed or were being worked on.

The Committee accepted the report.

45. Composition of future reports to the Audit Committee

Cajetan Chukwulozie, Head of Internal Audit and Risk Management presented the report to the Committee, who were asked to agree on the format for the future reports they would receive.

It was **agreed** that:

1. The Committee selected option 2 'the Cabinet and Audit Committee receive the Executive Summary page of internal audit reports'.

46. Forward Look

The Committee agreed the forward look, subject to the additions of creditor payments and balance sheet liabilities.

47. Date and Time of Next Meeting

The next scheduled meeting of the Committee is on Monday, 27 September 2010 at 10am in Committee Room 1.

48. Dates of Future Meetings

The Committee **agreed** the following dates of future meetings:

- 13 December 2010 at 10am
- 17 January 2011 at 10am
- 14 March 2011 at 10am
- 16 May 2011 at 10am

49. Exclusion of the Public

To consider whether the public (including the press) should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972).

Resolved:

That the public (including the press) be excluded from the meeting during consideration of the following items on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972: (Paragraph 3 relating to the financial and business affairs of another party).

Part II (Business taken in Private)**50. Risk Report**

The Committee agreed that a representative from the Procurement Team should attend the next meeting to provide more information about the long term strategy for implementing and sustaining inflation policy.

51. Business Continuity Report – IT

The Committee considered the report by the External Auditors and heard from Mark Woollard, Performance Specialist who had conducted the review of business continuity for the External Auditors. Tony Dawson, Deputy Head of IS was also in attendance to answer questions.

The Committee **agreed** that the item would be reviewed at the next meeting.

Chairman
27 September 2010