

## **Audit Committee – Meeting held on Thursday, 4th March, 2010.**

**Present:-** Mr Kwatra (Chair), Councillors Dale-Gough, Haines and Small

**Apologies for Absence:-** Councillors Chohan and Mann

### **PART I**

#### **28. Declarations of Interest**

Mr Kwatra declared a personal interest in agenda item 4 – Internal Audit Third Quarter Update - as his wife worked at Slough and Eton School.

#### **29. Minutes**

The Minutes of the meeting held on 3rd December, 2009 were agreed as a correct record.

#### **30. Matters Arising**

Members noted that at the previous meeting of the Audit Committee it was agreed that the Head of Benefit Fraud would attend the meeting to explain further on the outcome of the implementation of anti-fraud initiatives. The Head of Benefit Fraud, Charlie McKenna addressed the Committee with regard to anti-fraud initiatives that had been established by the team. It was noted that the performance indicators for the department were above the last central government standards for fraud investigation and that 40% of reported fraud claims were investigated further. It was brought to Members attention that some of work for the fraud team was initiated from the national fraud helpline and housing data matching. It was noted that data was looked at from both these sources and any anomalies were investigated further. In addition staff were also trained to pick up inconsistencies and referrals were also received direct from members of the public.

It was brought to Members attention that the most significant initiative was financial investigation capability which gave officers a range of powers. It was noted that Slough Borough Council had two officers that had already been accredited with these powers under the legislation which meant that criminal benefit and proceeds of any criminal activities could now be investigated and following successful prosecutions up to 37% could be reclaimed. It was stated that these new legislative powers would result in being able to take the appropriate course of action and attempt to recover substantial amount of monies due to fraudulent activity. Members were informed that local authorities were now well positioned to tackle fraud which could potentially result in a degree of financial pay back. It was noted that the Audit Commission had recently published a document entitled 'Protecting the Public Purse' and it was agreed that this would be circulated to Audit Committee Members.

## **Audit Committee - 04.03.10**

A Member queried as to the process following the report of a suspected fraud case to the national fraud hotline. The Head of Benefit Fraud stated that the information would be filtered through to the appropriate agency and/or counterparts in the relevant local authority. It was agreed that local figures with regard to how many fraud cases were reported, how many were investigated and the outcome of these referrals would be reported to the next meeting of the Committee.

The Chair on behalf of the Committee thanked the Head of Benefit Fraud for the information he had provided to the meeting.

### **31. Internal Audit Plan 2010/11**

The Head of Internal Audit and Risk Management (HoIARM) reported on the Internal Audit Plan 2010/11. A number of key changes were highlighted, which included significant projects that were to be agreed by the Corporate Management Team and included CRC Energy Efficiency Scheme and Achievement of Efficiency and Savings targets.

Alistair Rankine of the Audit Commission stated that the work of Internal Audit was reviewed by the Audit Commission every three years. Initial findings of this review would be brought to a future committee meeting but it was indicated that the findings were very positive.

A Member queried as to what processes were in place to check the financial management of grant money provided to schools. The HoIARM informed Members that when funding was given to schools via independent sources, it was up to the grant provider to look at how these funds were applied and whether they were being spent appropriately. In addition, it was noted that most money given to schools was ringfenced for specific purposes. Furthermore it was stated that the governors of a school were now liable for financial management of the school.

It was brought to Members attention that the terms of reference for the Audit Committee would be reviewed in June 2010 and significant changes included allowing the Head of Audit access to meet the Chair of the Audit Committee in private. It was clarified that this was to ensure independence and objectivity of Internal Audit operating within a framework that allowed the HoIARM unrestricted access to Senior Management and the Executive and or the HoIARM to report in their own name without fear or favour to all officers or members particularly those charged with governance.

Concern was expressed with regard to safeguards that were in place when there were major transfer of systems and in particular concern was expressed relating to the implementation of the new system in People 1<sup>st</sup>. The Director of Resources stated that any system transfer would inevitably present a number of problems and that a number of lessons had been learnt. It was stated that a review of the People 1<sup>st</sup> would establish if safeguarding procedures were in place and whether these were working adequately. A Member queried as to what lessons had been learnt from the audit review

relating to garage rents and what if any of the recommendations of this review had been implemented. It was agreed that an example of a risk log of an IT project would be circulated for Members' information.

**Resolved** – That details of the Internal Audit Plan 2010/11 be noted.

### **32. Internal Audit 3rd Quarter Update**

A quarterly summary of the work undertaken by Internal Audit was summarised. In particular it was noted that the audit work carried out by Internal Audit and the work carried out by the Housing Benefit Fraud unit contributed to the Anti-Fraud arrangements in the organisation. These activities had been identified and brought together in one document to enable further clarity in respect of anti-fraud work being carried out. Members were reminded that this was presented formally to the previous Audit Committee and it was proposed that progress against the plan would be measured in the Quarter four report. It was noted that an updated anti-fraud plan would be presented to the next Audit Committee.

A summary of Audit reports issued in Quarter 3 was outlined. In particular it was noted that the audit for Slough and Eton School had received no assurance. It was noted that twenty-four significant risk recommendations and nine medium risk recommendations to improve the financial management of the school had been made. An Action Plan was in place and progress would be reported to a future Audit Committee. Following concern expressed by a number of members it was agreed that the next meeting of the Audit Committee would include a detailed report relating to the audit at Slough and Eton School which would include the recommendations and action plan formulated following this review. It was also noted that the Director of Education and Children Services would be invited to the meeting.

The Head of Internal Audit and Risk Management highlighted that in the 3<sup>rd</sup> Quarter of 2009/10 seven of the twenty six medium and significant risk recommendations followed-up were not implemented. These were outlined as:-

- (a) Lettings Management – it was noted that two medium risk recommendations had not been implemented and included:-
  - (i) The Assessment Manager should record the 10% checks that were carried out in respect of applications to join the Housing Register and the correct allocation on the Register.
  - (ii) Copies of declarations were to be returned to the Department's Director for inclusion in the departmental Register of Employees Interests.

It was noted that the Lettings Manager would be invited to the next meeting of the Audit Committee to explain why there was non-

compliance with the two above mentioned medium risk recommendations.

- (b) Mobile Phones – The audit relating to mobile phones was reported in December 2008 and seven high and medium risk recommendations had been made. A follow-up audit was completed in June 2009 and a further follow-up in October 2009 which had revealed that 5 medium risk recommendations had not been implemented. It was noted that all of these related to the out of date mobile phone policy and to user terms and conditions and as a result of non-implementation of recommendations there remained a high risk of mobile phone abuse.

The Director of Resources explained that the existing policy on mobile phone usage did not allow records from the IT department to match those held by HR records and as a consequence it had been difficult to establish which individuals were using the mobile phones. It was reported that officers were currently looking at the equipment in place and had undertaken to update the policy. It was agreed that at the next meeting Members would be updated with regard to progress on the action plan.

**Resolved** – That details of the Internal Audit third quarter update be noted.

### **33. Annual Governance Statement Overview 2009/10**

Members were reminded that from 2007/08 Local Authorities were required to produce an Annual Governance Statement (AGS). It was noted that the AGS highlighted whether the Governance arrangements in the organisation were effective and whether any areas of concern had been identified. It was noted that prior to the AGS being submitted to Cabinet for agreement, Members were being requested to comment on the draft Statement. It was agreed that the Director of Resources would contact Members with regard to a meeting date to explore in further detail the AGS and allow members an opportunity to comment on the draft AGS.

**Resolved** – That details of the Annual Governance Statement 2009/10 be noted.

### **34. Signed Annual Governance Statement 2008/09**

Members noted details of the Signed Annual Governance Statement.

**Resolved** – That the details of the Annual Governance Statement 2008/09 be noted.

### **35. Audit Progress Report**

Alistair Rankine, Area Audit Manager, updated Members with regard to details on the Audit progress report. It was noted that a number of the reports referred to were accessible on the website and that the majority of the reports within the Plan were being implemented to schedule.

**Resolved** – That the details of the Audit Progress report be noted.

**36. Certification of Claims and Returns - Annual Report**

Members were reminded that the Local Authority received more than £191million funding from various grant paying departments who attached various conditions to these grants. The Council had to be able to demonstrate that it had met these conditions. If the council could not evidence compliance then funding could be at risk. It was therefore important that the Council managed certification work properly and was able to demonstrate to the Audit Commission that the relevant conditions had been met.

It was reported that three claims were submitted late for audit and that these were the Housing and Council Tax Benefits Scheme, General Sure Start Grant, and the Pooling of Housing Capital Receipts Return. It was clarified that these claims and returns were submitted for audit without a complete set of supporting working papers. Details of the action plan were noted. It was agreed that for future consistency, the responsibility for the recommendations contained within the action plan would contain either the postholder title or name.

**Resolved** – That details of the Certification of Claims and Returns Annual report be noted.

**37. Audit Opinion Plan 2009/10**

Alistair Rankine reported on the proposed work to be undertaken by the Audit Commission for the audit of the financial statements for 2009/10. It was brought to Members attention that the Opinion Plan served to communicate the identified audit risks and proposed procedures to the Audit Committee/Council as required by international auditing standards. Details of the specific opinion risks identified were highlighted for Members information and included revenue outturn, controls assurance, valuation of assets, application of the 2009 FORP and rent accounting.

**Resolved** – That details of the Audit Opinion Plan 2009/10 be noted.

**38. Vote of Thanks**

The Chair on behalf of the Committee formally thanked Sudhi Pathak, Head of Internal Audit and Risk Management for his contribution to the Committee over the years and wished him well for the future.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 9.00 pm)