

Audit Committee – Meeting held on Monday, 14th September, 2009.

Present:- Mr Kwatra (Chair), Councillors Chohan, Dale-Gough, Haines, Mann and Small.

PART I

13. Declarations of Interest

None were received.

14. Minutes

The minutes of the last meeting held on 1st July, 2009 were approved as a correct record.

15. ISA 260 Report - Audit Commission

The Panel considered the Draft Annual Governance Report (ISA 260) which was to be presented at the Full Council meeting on 24th September, 2009. Phil Sharman, the District Auditor explained to Members that this was an updated version of the Governance Report but not the final version as there were several amendments still to be made. Members were directed to the key messages contained within the findings. The Auditors planned to issue an unqualified opinion on the financial statements as well as an unqualified value for money conclusion on the Council's Use of Resources. Arrangements were deemed to be adequate and effective and proper arrangements for Use of Resources were consistent with professional practice and guidance. The District Auditor highlighted the next steps for the Council as proposed by the Audit Commission and also several next steps which the Council should now consider.

Members were advised that some matters had been brought to the attention of the Audit Commission for the 2009/10 financial year. However, the Audit Commission were satisfied that these did not impact on the Statement of Accounts for the 2008/09 financial year.

Members requested further information on adjusted amendments to the Statement of Accounts. The first of these, that Voluntary Aided Schools should be removed from the balance sheet, reflected newly agreed practice and represented a considerable adjustment of approximately £44m on fixed assets. A further adjustment regarding cash in deposits and cash overdrawn was originally shown as a net amount but should have been indicated individually. However, this made no difference to the overall position of the Council. The Interim Strategic Director of Resources advised that, in principle the Council would not expect many items to be raised by the Auditors and that further scrutiny of the accounts was essential in order to eliminate this.

A Member asked whether Officers approved of the report's action plan. Officers confirmed that they agreed with all recommendations and some of these had already been implemented. The recommendations followed logically from the conclusions within the report and officers would actively seek to work

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towards them. Members questioned why some of the issues with the statement of accounts had not been resolved earlier. The District Auditor explained that the Audit could not begin until publication of the official notice. This left the Audit Commission with a tight deadline to fully audit the accounts. Officers advised that there was a good relationship between Slough Borough Council and the Audit Commission.

Members were advised that to ensure the 2009/10 accounts did not contain any errors there would be tighter management; these issues were not expected to again arise. Members requested a report on how the errors from the pre-audited statement of accounts had occurred and the remedies for these. It was agreed that the scheduling of the Audit Committee and Council meetings should be looked into further in order to ensure a smoother transition for the Audited Statement of Accounts.

Resolved -

- (a) That the contents of the Draft Annual Governance report be noted and that the final report be recommended for approval by full Council.
- (b) That a report be brought to a future meeting concerning the issues raised in the Pre-Audited Statement of Accounts.

16. Use of Resources - Audit Commission

Mark Catlow of the Audit Commission introduced the report. The auditing framework for this area had changed from previous years. The Audit Commission now assessed evidence of outcomes from the use of resources. The report was to form part of the Comprehensive Area Assessment. The Use of Resources was widely regarded as now being a harder test and the Committee were advised that previous ratings should not be used as a comparison. The Council received 'level 2' which meant it had met the minimum requirements and performed adequately.

The Audit Commission explained to the Committee the key recommendations from the report. Members were advised of three key recommendations for managing finances. These included demonstrating value for money more clearly via service level benchmarking and analysis of service unit and transaction costs. This recommendation was currently being addressed. A Member asked whether there were any examples of service level benchmarking and about the financial implications of achieving a top performance level. The performance had specific costs attached to it which would require the Council to look further into. It was noted that it was important to look at the way support services fed into front line services and exactly what back office costs were in relation to front office costs. Some work had begun on this and this needed to continue.

A Member asked about the recommendations included in the report under 'governing the business' and asked what benefit would it have to Slough to achieve the higher level 3. The Audit Commission reported that some had questioned the necessity for achieving the highest level and it had been

suggested that it would not be worth achieving this on a value for money basis. However, officers reported that achieving level 3 was considered to represent good value for money as it ensured that developed good practice was implemented properly and there was measurable results for delivery. Members were advised that there was a statutory requirement for local authorities to continue to improve and level 3 would show what the Council is achieving from its resources.

A Member asked about comments in the report which referred to the senior management team and procurement arrangements which suggested that greater management capacity was required to oversee the arrangements. The Council was addressing this, for example a post of Assistant Director for Procurement had recently been created and appointed to. The Committee requested that a paper be brought to the next meeting to highlight the progress and savings made in this area. A Member asked about the business continuity plan. Officers responded that there had been significant progress and that there was a plan in place for "life and limb services" and co-ordinating a response at a corporate level. However officers had not been able to satisfy this requirement within the review of Use of Resources.

Resolved – That the Council's Use of Resources report be noted.

17. Work of Internal Audit - 1st Quarter 2009/10

The Head of Internal Audit and Risk Management (HoIA&RM) advised Members of the audit days which had been added and removed to the Audit Plan for 2009/10. Members were advised that the audit of the West Wing would not be taking place due to issues surrounding the future of the facility and not, as stated in the report, because the facility was being closed. The library audit had been deleted as the library service was undergoing a fundamental review. The Audit team were already part way through the audit of one library and this had been completed.

The Audit Committee were advised that there were currently 2½ vacant posts in the Internal Audit section. These were currently being covered by a partnering arrangement with Deloitte and Touche (D&T). It was noted that this did not go through a full tender process but it was agreed by the Procurement and Legal sections to use D&T through a Framework Agreement with the London Borough of Croydon. This was a cost effective solution, the cost of the in house provision was £220 per day. The cost of using D&T was approx £280 per day whereas the audit costs of other agencies came out closer to £300 per day. Members asked whether it would be possible to have a flexible arrangement using officers from other authorities to improve costs. The HoIA&RM advised that there was not capacity to do this and although it had been attempted in the past it was difficult to put in place due to some of the expertise needed, for example in IT Audits.

A Member asked whether the Internal Audit would be included in considerations for the Shared Services arrangements. It was confirmed that Audit would be included when considering different options.

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With regard to counter fraud arrangements it was noted that there were proactive and reactive measures. A training package had been purchased which was a web based electronic programme which all policies would be included on and this should ensure an accurate record of all who have completed training. It was noted that this would be rolled out by December to the first group of officers and it would then be rolled out to Members. Members commented that this was an excellent idea and would like to be the first members to try this. It was agreed that the antifraud programme would be brought to the next meeting of the Committee and the controls around various issues would be advised to Members.

The HoIA&RM confirmed that a new electronic audit package had been a very useful tool in accurately monitoring the work of Audit Officers. Members were advised of the National Fraud Initiative (NFI) results which were received in May 2009. An initial review of NFI matches showed 3,734 of which 2,948 were of a high level. Approximately 1,200 of these were Council Tax Single Person Discount (SPD) matches which appeared to show that there were 2 or 3 people residing at an address currently receiving SPD. Members all agreed that this was an excellent initiative and if possible should be publicised as a good news story for the Council.

Members were advised of a number of different recommendations that Internal Audit had made when carrying out audits for different sections. A number of these had yet to be fully implemented and these were reported to the Audit Committee. Members were concerned about the seemingly long delays in implementing some of the recommendations. Members agreed that in future a draft report should be issued to Officers responsible for service areas in which recommendations had not been implemented and if these were then still not resolved by a specified date that officer should be invited to attend the Audit Committee to provide Members with further information on resolving these matters.

Resolved – That the report be noted and that the recommendation of the Audit Committee be put in place.

18. Anti-Fraud Strategy

Members were provided with the Anti-Fraud Strategy along with the tackling fraud initiative and agreed that if any issues arose from these documents they would be discussed at the next meeting of the Audit Committee.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 9.10 pm)