

Time commenced – 6:01pm
Time finished – 7:36pm

AUDIT AND ACCOUNTS COMMITTEE 24 MARCH 2011

Present: Councillor Ashburner (Chair)
Councillors Davis, Roberts and Troup

63/10 Apologies

Apologies for absence were received from Councillors Chera, Harwood and Jackson.

64/10 Late Items to be introduced by the Chair

In accordance with Section 100(B) (4) of the Local Government Act 1972, the Chair agreed to admit the following late item on the grounds that it should be considered as a matter of urgency on the basis that a decision was required before the next scheduled meeting:

- Response to recommendations for pre-employment checks for employees

65/10 Declarations of Interest

Councillor Roberts declared a personal interest in item 7 because he was a board member of Derwent New Deal for Communities.

66/10 Minutes of the meeting held on 3 February 2011

The minutes of the meeting on 3 February 2011 were agreed as a correct record and signed by the Chair.

Items for Discussion

67/10 Response to Recommendations for Pre Employment Checks for Employees

Nigel Dowey, Head of the Employee Service Centre, outlined the Human Resources Department's response to recommendations and feedback from the Audit and Accounts Committee.

In relation to pre-employment checks it was reported that there was already a system in place for new starters. Councillor Roberts questioned the proposed date of March 2012 for the completion of this work, stating that in his view this

was far too late. The Head of the Employee Service Centre replied that this date had been suggested due to the large number of people who would be leaving, the need to communicate the process to existing employees and to consult the unions. In theory the work should start in July 2011 and be completed by March 2012.

Resolved to request the Head of the Employee Service Centre to provide a quarterly report on the updating of employees personal records.

68/10 Bad Debts

Martyn Marples, Director of Finance and Procurement, provided the Committee with an update on bad debts.

Between 2007 and 31 January 2011 the Council had invoiced £167M (million) of work. Of this £10M was outstanding as of the end of February 2011. Of this just under £8M was outstanding beyond 30 days of which £5.5M was outstanding beyond 60 days.

Councillor Davis expressed her dissatisfaction at the report. She observed that it had taken sometime to receive a breakdown of debt by category and that there did not appear to be a procedure for the writing off of debt. She also asked about the feasibility and practicality of recovering debts for home care from deceased estates. £5.5M was a huge sum of money and needed in light of the current tranche of cuts to council services.

Committee members proceeded to ask a series of further questions relating to bad debts. Councillor Roberts asked if there was any overall control of bad debts and Councillor Ashburner wanted to know how Derby's level of debt compared to other authorities. Councillor Troup asked what the financial cost of recovery was and whether it was practical to ask for payment in advance.

Councillor Ashburner asked again about the practicality of recovering debt from an estate. The Head of Legal Services replied that it was feasible but difficult in cases where there was no will.

Resolved to request Director of Finance and Procurement to bring answers to all questions raised during meeting, relating to bad debts, to the next meeting.

69/10 School Balances

The Committee received a report detailing the 8 schools which were above the threshold for retained balances.

Councillor Troup asked whether schools which had a static budget could hold a low percentage of their overall budget as a retained balance. However, he appreciated that this was more difficult where budgets varied. In reply Councillor Ashburner directed Councillor Troup to Appendix 2 of the report

which showed the different criteria use to evaluate retained balances. The Director of Finance and Procurement added that it was not permissible to hold onto budgets in anticipation of potential drops in future numbers. Councillor Ashburner suggested that, if there was a possibility of reviewing criteria, this should be looked into.

The Head of Legal Services observed that the Committee should look to make any recommendations in line with the new guidance that has been published.

Resolved to request that Director of Finance and Procurement communicate the fact that the Audit and Accounts Committee wished to have an input to the review of the policy on schools' balances

70/10 Grant Thornton – Certification Work Report

A report was then presented outlining the findings of Grant Thornton as external auditors.

Errors in housing benefit had been found to be significantly higher than before, the Council making an overclaim of £1.8M. The Council were now investigating and looking to reduce the likelihood of any such overclaims in future. That said the audit report was based on findings from 2009/10 and we were now approaching the end of financial year 2010/11 which had yet to be audited.

Councillor Roberts asked about the quality of responses from officers as outlined in Appendix B of the report. Officers from Grant Thornton observed that these comments did not reflect their positive experience of working with officers at the Council.

Councillor Ashburner asked about what quality checks had been in place as such a large level of overclaims had not been noticed. The Director of Finance and Procurement answered that a quality control team had been removed from the process but that the findings of the auditors clearly suggested that there was a need to re-institute a system of quality control.

Following up on the above point Councillor Davis observed that there seemed to be a lack of controls in place and asked why there was not a procedure in place outlining requirements. Officers from Grant Thornton suggested that in any such process of control there was a large element of judgement.

Councillor Troup asked how the figure of £1.8M compared with overclaims at other councils. Officers from Grant Thornton replied that this was the highest figure they had seen, the next highest figure reported was £400k.

Councillor Troup, asked if the Council was likely to lose this sum. The Director of Finance and Procurement replied that external experts had been employed to try and reduce the overall figure. Changes in procedure had also been made to try and avoid any repeat. This work had included putting more

quality checks in place and looking at error types and any link to specific employees. The Director of Resources was also actively involved in the investigation. Councillor Troup suggested that errors may have arisen as a result of backlogs and the fact that some claims work had been processed externally.

Resolved to request Director of Finance and Procurement to investigate and report back to the Committee on the backlogs and work sub-contracted externally in relation to the £1.8M of Housing Benefit spend identified by Grant Thornton.

71/10 Governance - Update

The Committee considered a report which set out an update on the developments being made within the Council's governance framework.

Councillor Davis asked if members would still see a statement of accounts.

Councillor Troup asked if fraud matches had led to any savings. Richard Boneham, the Head of Audit and Risk Management replied that this was not always the case as sometimes discrepancies were legitimate.

Councillor Davis asked if the Committee would get a quarterly update of NFI fraud matches, a total of 6758 accounts payable appeared very high. The Head of Audit and Risk Management replied that these matches were generally dealt with as they arose. Councillor Davis asked if the Committee would see details of any savings made. The Head of Audit and Risk Management replied that details would be provided as part of regular updates on governance.

Councillor Roberts asked if the figure given of 366 deceased blue badge holders was correct. The Head of Audit and Risk Management suggested that the Council team who dealt with the issue of badges would be in the best position to confirm details.

Resolved

- 1. To note the actions and the progress being made to enhance the governance framework.**
- 2. To request the Head of Internal Audit to send Committee members details of all relevant changes to Accounts and Audit Regulations 2011.**
- 3. To request the Head on Internal Audit to report the results of the Audit Commission National Fraud Survey to the next meeting.**

72/10 Risk Management - Update

The Committee considered a report which summarised the current risk management developments taking place within the Council. The work would continue the process of embedding risk management into Council systems and procedures and would further enhance the overall governance framework.

Councillor Troup asked if the Audit and Accounts Committee was responsible for the risk register itself as well as the risk management framework. Richard Boneham, the Head of Audit and Risk Management replied that the Committee had a duty to ensure that the risk register was properly monitored.

In relation to the Property Risk Audit Councillor Roberts asked for an update on current status. The Head of Audit and Risk Management indicated that work was underway to identify officers responsible for each property with the support of the Estates team.

Referring to the training on Climate Change Risks offered in early March Councillor Roberts expressed his disappointment that only 5 of 40 managers selected actually attended.

Resolved to request that a letter be sent to the Chief Officer Group expressing the disappointment of the Committee at the number of managers attending the Climate Change Risk training.

73/10 Internal Audit – Terms of Reference

The committee considered a report setting out the changes required to update Internal Audit's Terms of Reference.

Councillor Roberts asked why it was proposed to remove the sentence "The benefits of establishing a Corporate Fraud Team, which would combine the skills sets of a number of existing Council functions, are also being formally considered." from the terms of reference. The Head of Audit and Risk Management replied that this was because no benefits had been established.

Resolved to approve all the proposed changes to the terms of reference for Internal Audit.

74/10 Internal Audit Strategy 2011/12

The Committee considered a report which stated that the Internal Audit section was required to have a strategy that set out the contribution it made to the Council.

Resolved to approve the Internal Audit Strategy for 2011/12.

75/10 Follow Up on Implementation of Audit Recommendations

The Committee considered a report on follow up audits. Councillor Ashburner suggested that a letter be sent to those responsible expressing concern at the lack of updates provided.

Councillor Roberts pointed out that, in relation to actions from the Derwent New Deal, that the New Deal comes to an end on 31 March 2011. There could be an £11M clawback if actions were not addressed by this date

Resolved to request the Head of Internal Audit to chase up all non-respondents to outstanding audit actions, informing them that they have two weeks to respond or risk being called to account before the Committee.

76/10 Internal Audit Progress Report

The Committee considered a report outlining Internal Audit activity for the period 1 November 2010 to 28 February 2011.

Councillor Roberts asked why the IT Hardware Inventory Control, referred to in the report had taken 13 months to complete. The Head of Audit and Risk Management replied that specific responsibility for inventory control had not always been assigned. Councillor Roberts suggested that if that were the case then stronger controls were required.

Councillor Ashburner expressed similar concern that data was not adequately controlled. The Director of Finance and Procurement confirmed that data on computers was now controlled by Point Sec security.

Councillor Davis asked why there were not confirmed figures for fixed assets at museums. The Director of Finance and Procurement said that these figures would need to be provided for 2011/12.

Councillor Roberts concluded the discussion by seeking clarification on data relating to controls at Derby Live. The Head of Audit and Risk Management confirmed that the figure of 31% quoted related to the fact that 24/35 controls at Derby Live had been found to be weak.

Resolved

- 1. To request Director of Finance and Procurement to ensure that the Director of IT puts tighter controls of IT hardware in place, with particular emphasis on the control of laptop computers.**
- 2. To request the Head on Internal Audit to provide the Committee with the results of audit recommendations on a quarterly basis.**

Minutes End