

Time Commenced: 6.00pm
Time Finished: 7.40pm

**AUDIT AND ACCOUNTS COMMITTEE
THURSDAY 4 DECEMBER 2008**

Present: Councillor Roberts – Chair
Councillors Harwood, Holmes, Jackson and Troup

38/08 Apologies for Absence

Apologies for absence were received from Councillors Allen and Willoughby

39/08 Late Items

There were no late items.

40/08 Declarations of Interest

There were no declarations of interest.

41/08 Minutes

The minutes of the meeting held on 24 September 2008 were agreed as a correct record and signed by the Chair.

Updates

42/08 Highways Maintenance Term Contract

The Committee received an update on the highways maintenance term contract, which had been in operation for 16 months. Problems had been experienced with the previous contract as its terms had prohibited efficiency and there had been significant quality problems. The new contract was a partnership contract and covered three areas of highways maintenance – winter maintenance, planned maintenance and improvement schemes and reactive and emergency maintenance. The partnership nature of the contract offered a more open and transparent system with flexibility built in for innovation and efficiency.

It was reported that it was taking longer than expected to achieve the desired outcomes from the contract, as performance on reactive and emergency maintenance was below the required standard. This had resulted in a deductions being made from the management fee to the contractor of £45,000.

It was reported that up to an extra £1 million may be required to clear the backlog of maintenance work and that between £800k and £1m may be needed to include in the base budget in order to keep on top of the service demands going forward, and this was being incorporated into the next budget round. It was accepted by Carillion that some of the backlog was already in existence when they took over the contract. The Committee were concerned that it was not being cleared.

Trials were in place to improve productivity, and the outcome of the trials would indicate the precise level of additional funding required. It was noted that the contract had been based on a series of prices for the services to be provided, rather than an overall cost for clearing the work. The contractor was confident that should additional funding be included in the contract, they would be able to increase productivity and thereby maintain the levels of outstanding work to standard.

The Committee agreed that it would be important to receive regular updates on the rate of change of improvement of performance on the contract to ensure that the work was being completed to the specified standard.

Resolved:

- 1. To note the update**
- 2. To receive regular updates on the rate of change of improvements on performance of the contract as a standing agenda item, commencing April 2009**

43/08 Agency Workers in Regeneration and Community

The Committee received an update on the use of agency workers in Regeneration and Community. The issue had been raised at the last meeting of the Committee, as there were concerns about the non-compliance of agency workers with contract procedure rules. Following the meeting, the department had met with Keith Dalton, who was satisfied that there were no income tax or national insurance implications for the Council and Dawn Moran who had confirmed that the current use of consultants was not compliant, but action was being taken to make them compliant.

Two major contracts were being procured and investigations were being undertaken to help the procurement process become compliant and thereby ensure the Council was gaining value for money. It was noted that the specific requirements for contractors meant that the Council may continue to be non-compliant until contractors could be found through the proper procurement process who met the Council's requirements.

The Committee recognised that non-compliance had been confirmed and there was a deficiency in the procurement process, but they were satisfied that progress was being made in the current tendering process to bring the contracts back into compliance.

Resolved to note the update.

Internal Audit and Governance

44/08 Internal Audit Terms of Reference

At the meeting on 24 September 2008 the Committee received the External Auditor's Interim report which recommended that the Council update the terms of reference for Internal Audit to ensure they were fully compliant with the CIPFA Code of Practice for Internal Audit in Local Government. This had now been completed, and the Committee considered the updated terms of reference for Internal Audit. It was noted that there was a framework agreement for external consultants being used in the East Midlands, and the Strategy outlined that this framework agreement would be used to cover for any shortfalls in internal audit staff resources, as necessary.

Resolved:

- 1. To approve the Terms of Reference for Internal Audit.**
- 2. To receive a report at a future meeting on the successful implementation of the framework agreement.**

45/08 Internal Audit Progress Report

The Committee considered the internal audit progress report from 1 September 2008 to 31 October 2008. The report summarised the activities and the proposed changes to the audit plan for the forthcoming year. Changes were required to the audit plan as the level of vacancies in audit had restricted the amount of time available to undertake audit work and there had also been a significant amount of unplanned non-audit work for other Council services. This had necessitated the removal of one planned Audit of Equal Opportunities in the current Audit plan. This would be undertaken in the next Audit round. The Committee were satisfied that this was a low risk audit, and could be accommodated next year.

The committee considered the completed audit work during the period. Concerns were raised regarding the income follow-up in Parking Enforcement, as the Committee was not satisfied that a cash desk in Roman House was the most secure or efficient method of reconciliation. It was agreed to form a sub committee to consider this issue in more depth.

Resolved:

- 1. To note the activity and performance of Internal Audit in period 1 September 2008 to 31 October 2008**
- 2. To approve the changes to the 2008/09 audit plan**
- 3. To create a sub-committee to consider the need for a cash desk in Roman House for parking fines**
- 4. To include the number of planned Audit days on future analysis of actual days spent undertaking audit work.**

46/08 Follow up Audits

The Committee considered a report detailing the outcomes of Audit recommendations. Any recommendations that were not being implemented or that had been superseded were followed up. Spot checks were also undertaken to ensure that the recommendations were being complied with. The Financial Management in Schools external assessments (FMSiS) were reported separately as there were no plans to follow these up until the next assessment in 3 years time. This was in accordance with best practice advice.

Resolved to approve the actions suggested by the Head of Internal Audit and Risk Management.

47/08 Contract Procedure Rules – Non-compliance

At the last meeting of the Audit and Accounts Committee concerns were expressed regarding the procurement performance across all Council departments. It was agreed that procurement performance would be monitored on a quarterly basis and reported back to future meetings. At the request of Chief Officers, the Head of Procurement and the Head of Audit and Risk Management developed a new process for the review of non-compliance with Contract Procedure Rules. Each identified instance of non-compliance would be reviewed to ascertain which of the following three categories it related to:

- a. officers not being aware of the requirements of the contract procedure rules
- b. Officers being aware of the Rules but made an error
- c. Officers being aware of the Rules but have not followed procedure

The Committee agreed that they would want investigations undertaken into any instances which fell into category c, and would receive the results in a 6 monthly report. It was noted that the Chief Executive had been in contact with the Chair to emphasise the commitment of the Chief Officer Group and the Departmental Management Teams to this process.

Resolved to approve the procedure for reporting non-compliance with Contract Procedure Rules through to Members as outlined in paragraph 2.3 of the report.

48/08 National Fraud Initiative

The committee received an update on the national fraud initiative. It was reported that the required datasets had been submitted and the matches should be available from January 2009. The data matching exercise of people claiming single person discount to the Electoral Register had produced 2 reports for review by the Council and had resulted in major work being done to cancel single person discounts to those found to be no longer entitled to claim it.

Resolved to note the report.

49/08 Internal Data Matching – Policy and Strategy

The committee considered the internal data matching policy and strategy. The strategy outlined the restrictions on the data extracted. Particular attention had been paid to the legal basis for the work and the arrangements put into place to ensure secure storage. It was reported that the strategy was designed to look for fraud and error in the system and built upon the work of the national fraud initiative. It was noted that the strategy would help the Council to assess the way its own systems were monitored.

Resolved to approve the Data Matching Policy and Strategy.

50/08 Risk Management Update

The Committee received an update on the ongoing risk management work outlined in the annual report, which were outstanding at the year end. The committee were satisfied with the progress being made towards the outstanding issues.

Resolved to note the update.

MINUTES END