

Time Commenced: 6.00pm
Time Finished: 8.25pm

**AUDIT AND ACCOUNTS COMMITTEE
THURSDAY 26 JUNE 2008**

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

01/08 Apologies for Absence

Apologies for absence were received from Councillors Allen and Willoughby

02/08 Late Items

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 could not wait until the next meeting.

- Date of next meeting

The Chair asked the committee to consider changing the date of the next meeting to late September to allow the committee to approve the Council Accounts post audit.

**Resolved to hold the next meeting of the Audit and Accounts Committee on
25 September 2008**

03/07 Declarations of Interest

Councillor Roberts declared a personal and prejudicial interest in minute number 18/08 as he was a member of the Derwent Community Partnership board

Councillor Troup declared a personal and prejudicial interest in minute number 18/08 as he was a member of the Derwent Community Partnership board

04/08 Minutes

The minutes of the meeting held on 3 April 2008 were agreed as a correct record and signed by the Chair.

05/08 Training Audit and Accounts Members

The Committee considered the best way to receive training on Audit and Accounts. It was agreed that regular training updates on matters arising would be

useful. However it was felt that a one hour training session before the next meeting would be important to allow members to have useful discussions over the year.

Resolved for members to receive Audit and Accounts training before the next meeting.

Accounts

06/08 Statements of Accounts

The Committee considered the statement of Accounts summarising the Council's performance up until March 2008. The Statement needed to be agreed by the Committee before the end of June.

Resolved to:

- 1. agree the statement**
- 2. forward any questions arising to the Finance Team**

External Audit

07/08 Health Inequalities Audit of Derby City Council and Derby City PCT

The Committee considered a report from Grant Thornton auditors on a combined audit of health inequalities activities within Derby City Council and Derby City PCT. This was the first audit of its kind, and used interviews with key members of the organisations and the partnership to assess progress against five identified organisational themes. In addition to the formal audit, there was also a review of all health inequalities within the city, which gave a much broader view of current and future activities. The report was very positive about health inequalities work undertaken within both organisations, and noted that there were many strong examples of good joint working between the PCT and the City Council. It was reported that many of the recommendations the auditors made were in the process of being completed or already had been completed. However, it was noted that performance monitoring within the PCT was not yet at the level found in Derby City Council.

Resolved to:

- 1. note the report**
- 2. agree the actions undertaken by managers in response to the Grant Thornton audit**

08/08 Audit and Inspection Plan 2008/9

The Committee considered the audit and inspection plan for 2008/9. The report highlighted issues that were likely to be reviewed by the external auditors in 2008/9 to allow better co-ordination with internal audit activity. It was noted that the plan was aligned to the financial year, but there would be much work delivered after the year end. Some of the issues likely to be addressed were a risk assessment of value for money work and evaluation of the accounting implications of Building Schools for the Future. It was noted that Derby was an innovative Council and while this brought performance, there was also an element of risk that things would go wrong. It was reported that the external auditors would work closely with the Council to minimise and avoid these risks.

Resolved to note the audit and inspection plan for 2008/09

Governance and Performance

09/08 Annual Governance Statement

The Committee considered the annual governance statement for 2007/08. The statement replaced the Statement of Internal Control and was a corporate document aimed at ensuring that the Council's business was conducted in accordance with the law and proper standards. It was noted that a review of risk management methodology was a key part of the work described in the statement, as the risk assessment process was not consistent throughout the Council.

Resolved to:

- 1. note the Annual Governance Statement for 2007/08**
- 2. request the Leader and the Chief Executive to formally sign the Statement**

10/08 Data Quality Update

The Committee received an update on the progress being made in improving data quality arrangements. It was reported that the 2006/07 audit report made recommendations in respect of three performance indicators BV165, BV199a and BV212 and good progress was being made towards these indicators. It was noted that the main area of slippage within the data quality plan was the approval of the Policy by the Derby City Partnership, which was now scheduled for September 2008. It was noted that the self reporting of data highlighted the areas where third party data posed a risk to the data quality of the Council, but it was reported that programmes were in place to mitigate the risks of misreporting whilst avoiding the risk of duplication of effort. It was reported that the new national indicators being introduced would be self assessed and so any indicators where the Council were not the responsible body would pose these risks. It was reported that the Derby City Partnership were a key element to these

indicators and it was necessary to have clear co-ordinated data quality and to ensure that the data which was delivered was of good quality, was quantified and analysed. Ideally, this would be achieved by the Partnership using Performance Eye to report data as it would avoid duplication of effort, but there may some reluctance from the partnership as Performance Eye required a level of reporting above the minimum level.

Resolved to note the report

11/08 Best Value Performance Plan

The Committee considered the Best Value Performance Plan. It was reported that this was the final year that the plan would have to be produced. The Plan presented the Council's achievements against the full range of corporate targets set for 2007/08 and provided the context for improvement planning and delivery in 2008/09 and beyond. It was reported that the plan would be reviewed in October to ensure the targets were robust enough, and at that point the data quality would also be reviewed.

Resolved:

- 1. To approve the Best Value Performance Plan 2008/09, subject to any amendments agreed by the Chief Executive in consultation with the Leader of the Council**
- 2. To give the Corporate Director of Resources delegated authority to finalise the Plan for publication by 30 June 2008.**

12/08 Staff Fraud and Pre-Employment Checks

The Committee received an update from Rod Wood, Assistant Director Human Resources, on the controls in operation for recruitment. This had been requested as a result of the debt recovery investigation which had highlighted instances of fraudulent qualifications being used. It was reported that the recruitment process had been reviewed as part of the integral human resource services. Weaknesses had been identified regarding qualifications, and these had now been tightened up so that employees were required to produce evidence of qualifications at the point of recruitment. If these were not produced, then employees could not begin work unless they had the express permission of the Assistant Director or the Chief Officer, and a good reason why they could not produce the evidence. It was also reported that managers would be able to request a third reference for employees if there was concern about a candidates work history, or if two references had been received from the same employer. It was reported that further checks were possible could be made, but these would need to be balanced against the data protection requirements. It was suggested that an option for further checks be introduced for managers recruiting to high risk posts, and that risk assessments for fraud should be done in these cases.

The Committee queried how the risk assessments would be supported. It was reported that this would be built into the Code of Guidance for Managers, and Members suggested that a check list for managers should be introduced to assess whether or not the post they were recruiting to was a high risk post. The committee raised concerns that Assistant Directors and Chief Officers had a veto over the new qualifications requirements. It was felt that if the veto was to be in place then the person making that decision should be required to put their reasons for doing so in writing to form an audit trail for future reference.

Resolved:

- 1. To note the update**
- 2. To request an update to a future meeting of the Committee on any developments concerning pre-employment checks as part of the Council's recruitment process**

13/08 Internal Audit – Year End Progress Report 2007/08

The Committee considered the Internal Audit – year end progress report for 2007/08. It was noted that 2007/08 saw mainly good and satisfactory audits, and that the control was also satisfactory. It was noted that there was nothing which required further review by the Committee.

Resolved to note the report, including the changes to the 2007/08 audit plan.

14/08 Head of Internal Audit – Annual Audit Options 2007/08

The Committee considered a report from the Head of Audit and Risk Management on the internal control environment. It was noted that there was an acceptable level of internal control within the Council's systems and procedures. However, there were specific areas of concern for the adequacy of internal control in the Facilities Management Division of Environmental Services and Derwent New Deal for Communities. It was noted that steps were ongoing to rectify these control issues.

Resolved to note the report

15/08 Effectiveness of the System of Internal Audit

The Committee reviewed the sources of assurance of the system of internal audit, using the CIPFA Code of Practice checklist. It was noted that previous areas of non-compliance with the Code of Practice had been addressed, and there was now a formal audit strategy for the authority. The structure of the department had also been changed to meet the demands of the Code, and now the Head of Internal Audit reported directly to the Director of Resources. It was

noted that the Audit Manual also needed reviewing and it was hoped that this would be done by June 2009. It was noted that the checklist showed that the Audit and Accounts Committee currently reflected current guidance and best practise, and that this should be reviewed again in the future to ensure that this was still the case.

Resolved to note the report

16/08 Annual Internal Audit Plan 2008/09

The Committee considered the annual internal audit plan for 2008/09. It was reported that although the plan was flexible, it was already pressurised due to new investigations and staff availability. It was noted that some planned work would need to be removed from the plan as the funding for the schemes identified for audit review were ending.

The Committee raised questions about the role of Neighbourhood Forums in retrieving funds for projects which had had funding withdrawn from them. It was reported that the Forums would need to be proactive in this.

Resolved:

- 1. To approve the 2008/09 annual internal audit plan 2008-09**
- 2. To receive an updated copy of the annual internal audit plan once available**

17/08 Internal Audit – Progress Report 2008/09

The Committee considered the activities and performance of Internal Audit for April and May 2008. It was noted that there was only one marginal audit in the period, and that this was being reviewed. The Committee welcomed the report, but felt that it would be good practise to report all audits completed in writing.

Resolved to note the report

18/08 Derwent Community Team – Project Appraisal Audit

Councillor Roberts and Councillor Troup left the room for this item. Councillor Jackson took the Chair.

The Committee considered the findings of the project appraisal audit of Derwent Community Team's decision making processes and operational procedures undertaken by the Council as 'Accountable Body'. It was reported that the Deventio Viking Project had raised concerns as it had gone out of business so quickly, and there was a risk of clawback on the funding allocated. A major

review of the project had been undertaken to try and minimise the risks of this happening again. The Committee raised concerns that the Audit report only covered the Deventio project, as it was felt that there should be a comprehensive report of all the full Derwent New Deal project. It was reported that looking at all the projects in the New Deal would be an enormous task and very resource intensive. Instead, it was felt it would be more useful to use the experiences of Deventio to make recommendations for all the New Deal projects. It was noted that although the systems in place for Deventio could have been better, there were some positives to come out of it, including an adequate building coming back into Council control, and the potential for better use of the land.

Resolved:

- 1. to note the report**
- 2. to approve the joint response and action plan in place to address areas for improvement**

19/08 Exclusion of the Press and Public

To consider a resolution to exclude the press and public during consideration of the following items:

“that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following items on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information”

20/08 Corporate Director Environmental Services

The Committee received a confidential update from Paul Robinson, Director of Environmental Services, on recent activities in the department

Resolved to note the update

21/08 Contract Compliance

The Committee considered confidential information regarding contract compliance within the Council.

Resolved:

- 1. to receive updates from the Director of Regeneration and Community in the confidential section of the next meeting**

2. **to notify the Chief Officer Group that the Audit and Accounts Committee would request further updates from other departments as necessary**

22/08 Completed Audit Investigations

The Committee considered confidential information on completed audit investigations

Resolved to note the report.

MINUTES END