

Time Commenced: 6.00pm
Time Finished: 7.26pm

**AUDIT AND ACCOUNTS COMMITTEE
25 MARCH 2010**

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

62/09 Apologies for Absence

An apology for absence was received from Councillor Allen.

63/09 Late Items

There were no late items.

64/09 Declarations of Interest

There were no declarations of interest.

65/09 Minutes

The minutes of the meetings held on 3 December 2009 were agreed as a correct record and signed by the Chair.

External Audit

66/09 Audit Approach Memo

Jon Roberts and Kyla Bellingall from Grants Thornton's attended the meeting and presented the Audit Approach memo.

Resolved to note the audit approach memo.

67/09 External Audit Action Plan Update 2009/10

The Committee considered a report on the external audit action plan update 2009/10. A detailed update on progress made against the observations / recommendations raised in the interim audit report from Grant Thornton had been reported to the Committee in December 2009. The final audit report from Grant Thornton (ISA 260 Report to those charged with Governance) together with the action plan to address the observations / recommendations made in the report was reported to the Committee in September 2009. Appendix 2 of the report detailed update on progress made against those actions which were

outstanding as the December meeting. 24 of the original 31 recommendations made had now been completed, with all but one of those still in progress, expected to be completed by 30 April 2010.

Resolved

- 1. To note the progress made on the External Audit action plan 2009/10.**
- 2. To e mail the outstanding figures to Members of the Committee.**

68/09 Use of Resources – Progress on Actions

The Committee considered a report which stated that as part of the Organisational Assessment in the 2009 Comprehensive Area Assessment (CAA), our external auditors Grant Thornton undertook our Use of Resources (UoR) audit. The findings of the audit together with our Action Plan were considered at the last meeting of the Committee. Under the Audit Commission's Code of Audit Practice, Grant Thornton are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton listed ten recommendations that the Council should address as part of our improvement planning process. These have been included within our Action Plan at Appendix 2 of the report. Work on the 2010 Use of Resources submission was progressing well with feedback on our initial submission due from Grant Thornton by the end of March 2010.

The Committee expressed concern in relation to recommendation 8 (Managing Natural Resources) about making sure there was genuine buy in on the cultural change needed relating to managing natural resources.

Resolved

- 1. To agree the Council's progress report in response to Grant Thornton's recommendations as listed in Appendix 2 of the report.**
- 2. To request the Corporate Director of Resources to provide another progress report on delivery of the actions at the next Audit and Accounts Committee meeting later this year.**
- 3. To request the Chair to write to the Chief Executive and Chief Officers to express the Committee's concerns about 'Managing Natural Resources'.**

Procurement

69/09 Contract Waivers

The Committee considered a report which stated that Rule 6.7 of the Contract Procedure Rules required that all waivers must also be reported by the Head of Procurement on a quarterly basis to the Audit and Accounts Committee so they could monitor their use. Appendix 2 of the report listed a summary of those waivers which had been granted since the September 2009.

Resolved to note the waivers set out in appendix 2 of the report.

Governance

70/09 Governance

The Committee considered a report which outlined the action taken to address the Chief Executive's key objective on governance which was 'To ensure that an action plan is in place (by 31/3/10) to refresh and improve the robustness of the corporate governance framework that meets the principles of good governance and statutory requirements'.

It was noted that the timescale for item 13 on the action plan would be changed to October 2010. Concern was expressed about bullet 4 on page 20 of the Local Code of Governance which stated that the Council will 'develop and maintain an effective audit and accounts committee which is independent of the Cabinet and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee'.

Resolved

- 1. To approve the Local Code of Governance.**
- 2. To approve the Governance Action Plan.**
- 3. To request the Chair write to the Leader of the Council expressing concern about the make up of the Audit and Accounts Committee in view of the Local Code of Governance.**

71/09 Appointment of Members of the Independent Remuneration Panel for Members' Allowances

The Committee considered a report which stated that one of the delegated powers of the Audit and Accounts Committee was to 'carry out all powers and duties in respect of appointments to the Independent Remuneration Panel for Members' Allowances'. Helen Foord had indicated that she was willing to continue for a further three year period of office and the Committee was asked to approve her reappointment. The Committee noted that there was a vacancy on the Panel for a representative of the Derby Chamber of Trade. The Chamber

had previously been unable to appoint a representative and it suggested that the Council continued to hold this as a vacancy which could be filled, if necessary, at a future date.

Resolved

- 1. To reappoint Helen Foord to the Independent Remuneration Panel for Members' Allowances for a further period of three years from 1 January 2010.**
- 2. To continue to hold a vacancy of the Panel but to ask the Chamber of Trade to appoint someone soon or the Panel would need to consider looking at alternative representatives.**

72/09 Risk Management

The Committee considered a report which stated that as part of the policy of continuous improvement in the Council's risk management systems, the Insurance and Risk Management section had reviewed and updated a number of key processes and procedures, details of which were set out in the report.

The report also set out the proposed terms of reference for the Strategic Risk Group and the Risk Management Action Plan.

Resolved

- 1. To approve the terms of reference for the Strategic Risk Group.**
- 2. To approve the Risk Management Action Plan.**

Internal Audit

73/09 The Role of Internal Audit in the Transformation Agenda

The Committee considered a report which stated that at the meeting on 3 December 2009, the Chair requested a report be brought to this meeting of the Committee which outlined my views on Internal Audit's role in the Council's Transformation process.

The transformation process would see a fundamental change across the whole organisation resulting in established processes and management controls being redesigned and new ways of working being introduced. This would inevitably have a major impact on the internal control environment and increase risk. The challenge for Internal Audit was to:

- keep up to date with the changes

- provide robust challenge
- add value to the process and help embed changes
- be flexible and responsive; and
- provide an assurance on the effectiveness of the control environment and management of risk.

The key issue was how Internal Audit could meet this challenge. There were 4 potential options:

1. Internal audit could have a representative on each workshop or theme.
2. Internal audit could undertake independent reviews around the themes and cases for change.
3. A representative from Internal Audit could attend the Project Board and provide advice where appropriate.
4. Internal Audit could monitor and review the risk log and issues log for each theme/case for change and provide advice accordingly.

Given the size of the transformation change programme the first option this was not possible. The transformation programme was based around 12 core transformational themes and 14 individual business cases for change and Internal Audit had neither the time nor resources to be involved at this level. Option 2 was also not viable as there would be a resource issue and a timing issue concerning any output from the reviews in the respect of the overall timeframe of the transformation programme. Options 3 and 4 were both workable; however, option 4 was dependent on the existence of risk and issue logs. Internal Audit would need to maintain its independence and objectivity throughout its involvement, but would also need to be mindful of the required outcomes of the whole transformation agenda.

To provide this Committee with the level of assurance we need on this process, the Director of Resources believed that Internal Audit should attend the Transformation Board, but should also review any risk/issue logs.

Resolved

- 1. To note the report.**
- 2. To support options 3 and 4 as the preferred options.**

74/09 Internal Audit Progress Report

The Committee considered a report which summarised the internal audit work

completed in the period 1 November 2009 to 28 February 2010.

Resolved to note the activity and performance of Internal Audit in the period 1 November 2009 to 28 February 2010.

75/09 Follow up Audits

The Committee considered a report which stated that the committee at its meeting on 24 September 2009 approve the revised approach to following-up and reporting on the implementation of audit recommendations.

The report at Appendix 2 was intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations that had passed their agreed implementation dates.

Internal Audit had sent emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates had been exceeded. We had requested an update on each recommendation's implementation status, which had been fed back into the database, along with any revised implementation dates.

Each Chief Officer had been provided with the details of each of the recommendations made to their departments, relating to reports issued between 1 April 2006 and 30 November 2009, which had yet to be implemented. This was intended to give them an opportunity to provide Audit with an update position.

We had not included the recommendations made in audit reports issued since 1 December 2009. This was to allow time for recommendations to have reached their agreed implementation dates.

Each recommendation made by Internal Audit is assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations were provided in respect of each "Action Status" category:

- **Blank** = Audit had been unable to ascertain any progress information from the responsible officer.
- **Implemented** = Audit had received assurances that the agreed actions had been implemented.
- **Superseded** = Audit had received information about changes to the system or processes that meant that the original weaknesses no longer existed.
- **Being Implemented** = Management was still committed to undertaking the agreed actions, but they had yet to be completed. (This category should result in a revised action date)

- **Not Implemented** = Management had decided, on reflection, not to implement the agreed actions

The Committee expressed concern about the progress being made on implementation of those recommendations which had control ratings of 'significant'. They requested that the recommendations be implemented or a response be provided before the next meeting or the managers would be invited to attend the meeting to explain why the recommendations had not been implemented.

Resolved

- 1. To note the summary report in appendix 2 which showed where actions in respect of audit recommendations had not been implemented.**
- 2. To call-in 867 – Environmental Services Procurement, 785 – Employee Payment Issues and 876 – Academy Housing Benefits – IT Security if the recommendations have not been implemented before the next meeting.**

76/09 Non Implementation of Audit Recommendations

The Committee considered a report which stated that on 3 December 2009 Members requested that explanations were sought from the Manager responsible for the non-implementation of 2 internal audit recommendations made in respect of leisure centres.

Following the meeting, further clarification was sought from the Chair of the Committee in respect of what would need to be recorded for each case of non-implementation of recommendations highlighted to Committee. The view of the Chair was where Members felt that the issue of non-implementation of an audit recommendation needed to be pursued, then Committee would ask the manager responsible for a written response. If this response was not forthcoming then the manager would be asked to attend the next meeting of this Committee to provide an explanation for the non-implementation.

The Head of Audit and Risk Management had reviewed those internal audit recommendations that were categorised as "Not Implemented" in the December 2009 report and had sought written explanations from 2 Managers on their decisions to not implement internal audit recommendations.

The status on the 2 recommendations for the leisure centres that had not been implemented had now changed. The recommendation regarding the alarming of the "jumbo" doors at Moorways Leisure Centre had now been implemented. The Head of Audit and Risk Management reported at the meeting that the

recommendation in respect of the introduction of a key lock for the safe at Springwood Leisure Centre had now been implemented. The response from the Manager was attached at Appendix 2 of the report.

The status of the implementation on the signing and dating of creditor and debtor control account reconciliations had now changed. Internal Audit agreed that the recommendation had been superseded by the implementation of actions to satisfy a recommendation made in another audit report (Appendix 3 of the report). In respect of the recommendation on sharing the username 'sysadmin', Internal Audit had discussed this with the Head of Business Systems and the solution being proposed on the use of individual log ins (Appendix 3 of the report) was acceptable.

Resolved to note the current situation to those Internal Audit recommendations reported to the December 2009 meeting as not implemented.

77/09 Exclusion of 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”

78/09 Non Compliance with Contract Procedure Rules

The Committee considered a report which stated that at its meeting on 3 December 2009, the Committee approved a revised procedure for the reporting of non-compliance with Contract Procedure Rules. It was agreed that cases would be reported to Committee on a half yearly basis. The Council's Contract Procedure Rules had been fully reviewed and revised and became effective from 1 July 2009. Prior to this date, the Head of Procurement ran a number of training sessions for those staff involved in procuring goods, services and works. The Head of Procurement was still running training courses on a quarterly basis and at the time of this report being written, 385 officers had attended the training.

In line with the new procedure, the Head of Procurement reviewed all cases of apparent non-compliance, in conjunction with the Head of Audit and Risk Management. In each case, the responsible officer was contacted and an explanation sought. Appendix 2 of the report provided details of those contracts that had, in the last 6 months, been identified as not being let compliantly. It did

not necessarily represent all non compliant contracts in operation at the point of the report was being written.

Resolved to note the report.

79/09 Internal Audit Update

The Committee considered confidential information on the Internal Audit Update.

Resolved to implement the recommendations before the next meeting or request the relevant officers attend the meeting to provide an explanation about why the recommendations had not been implemented.

Chair of the next ensuing meeting
at which these minutes were signed