

Time Commenced: 6.00pm
Time Finished: 8.45pm

**AUDIT AND ACCOUNTS COMMITTEE
24 JUNE 2010**

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

01/10 Apologies for Absence

An apology for absence was received from Councillor Jackson.

02/10 Late Items

There were no late items.

03/10 Declarations of Interest

There were no declarations of interest.

04/10 Minutes

The minutes of the meetings held on 25 March and 1 April 2010 were agreed as a correct record and signed by the Chair.

Accounts

05/10 Statement of Accounts

The Committee considered the statement of accounts summarising the Council's performance up until 31 March 2010. The statement needed to be agreed by the Committee by 30 June 2010.

Resolved to approve the statement of accounts for 2009/10 subject to external audit.

06/10 External Audit – Interim Report

The Committee considered the interim audit report 2009/10 from the Council's external auditors, Grant Thornton. John Roberts from Grant Thornton attended the committee to present the report.

Resolved to note the recommendations and action plan from the interim audit for the year ending 31 March 2010.

Audit Activity

07/10 Internal Audit Progress Report

The Committee considered a report which summarised the internal audit work completed from 1 March to 31 May 2010.

Resolved

- 1. To request a statement on s106 agreements at the next meeting.**
- 2. To call-in any of the audits where the recommendations have not been implemented before the next meeting.**

08/10 Head of Audit – Annual Audit Opinion 2009/10

The Committee considered a report which set out the Head of Audit and Risk Management's opinion on the internal control environment and the activity and performance of Internal Audit.

Resolved

- 1. To note the Head of Audit and Risk Management's opinion on the internal control environment.**
- 2. To note the activity and performance of Internal Audit.**

09/10 Internal Audit Plan 2010/11

The Committee considered a report which set out the Internal Audit Plan 2010/11. It was reported that audit coverage each year required that several factors are taken into account which would influence not only the nature of audit reviews, but the way the section operated. Preliminary discussions had taken place with the Council's External Auditor on the coverage of the Audit Plan, as well as a number of key officers in each of the departments. The overall draft audit plan had been discussed with the Strategic Director of resources, in his role as the Council's s151 Officer.

Resolved to approve the 2010/11 Internal Audit Plan.

Regularity Framework

10/10 Effectiveness of the System of Internal Audit

The Committee considered a report which stated that the Accounts and Audit (Amendment) (England) Regulations 2006 stated that 'the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit'. The regulations go on to state that the findings of this review be considered by a committee of the relevant body, or by members of the relevant body as a whole, as part of the wider consideration of an organisation's system of internal control.

Resolved note the report.

11/10 Annual Governance Statement

The Committee considered a report which set out the Annual Governance Statement 2009/10. When publishing the annual accounts, the Council is required to consider and approve an Annual Governance Statement which sets out the Council's responsibilities, the purpose of the governance framework, the governance environment, its effectiveness and any significant areas of weakness identified with proposed actions to address these.

Resolved to approve the inclusion of the Annual Governance Statement in the 2009/10 Statement of Accounts.

12/10 Audit and Accounts Committee – Changes to Terms of Reference

The committee considered a report which stated that Council agreed to establish an Audit and Accounts Committee on 20 July 2005. The Terms of Reference were approved by Council as part of that decision. They were last reviewed in 2006 and proposed changes were agreed by Committee at its meeting on 28 September 2006 for forwarding to full Council for approval. The revised Terms of Reference were approved by Council on 22 November 2006

As part of the self-assessment of the effectiveness of the Audit and Accounts Committee, the current terms of reference have been compared to the Chartered Institute of Public Finance and Accountancy (CIPFA) suggested Terms of Reference and a gap analysis produced, this is set out in Appendix 2 of the report.

This alignment of the current terms of reference with the CIPFA guidance shows a number of areas where there is no specific responsibility detailed in the terms of reference. In the majority of cases the responsibility is being carried out by Committee although it is not formally included in the Terms of Reference. The

responsibilities in the CIPFA guidance that are not defined in the current terms of reference are:

- To consider reports dealing with the management and performance of the providers of internal audit services.
The service is provided by the Council's internal audit team and although not specifically detailed as a responsibility it has been covered through the receiving of quarterly updates on Internal Audit progress and in the Head of Audit and Risk Management's annual opinion report.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
This responsibility is not specifically detailed in the current terms of reference, but Committee receives a quarterly report on the progress of implementation of internal recommendations.
- To consider specific reports as agreed with the external auditor.
Committee receives relevant reports produced by External Auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
This responsibility has been undertaken when considering External Audit's audit plan.
- To liaise with the Audit Commission over the appointment of the council's external auditor.
- To commission work from internal and external audit.
Committee has on a couple of occasions made requests to internal audit for specific areas of work to be carried out and reported back
- To review any issue referred to it by the chief executive or a director, or any council body.
Items are referred to committee for consideration and review as necessary by the Strategic Director – Resources.

There are responsibilities specific to the Council that have been delegated to this Committee that are not reflected in CIPFA guidance. The key one is the Independent Remuneration Panel on Members Allowances

To adhere to best practice, the Terms of Reference have been re-written based on the CIPFA guidance, and were shown in Appendix 3 of the report.

Resolved to recommend Council to approve the proposed amendments to the Audit and Accounts Committee's terms of reference set out in appendix 3 of the report, subject to the amendment of the word 'review' to read

'approve' in item 16 of the terms of reference.

13/10 National Fraud Initiative

The Committee considered a report which stated that at its meeting on 24 September 2008, Committee received a report on the requirements for the Audit Commission's National Fraud Initiative (NFI) 2008/9. Regular updates on progress had been submitted as part of the Governance Update report. This exercise had now finished.

The results of the 2008/9 exercise were shown in Appendix 2 of the report. Reports 801 and 802 which related to a matching exercise between the Council Tax database and the Electoral Roll were run under a separate timetable with the matched data only arriving in March 2010. As a result, these reports were still undergoing investigation and updating. Excluding the Council Tax reports, the 2008/9 exercise had generated £87,917.91 of savings and identified nine frauds and 25 errors in the datasets submitted. All nine frauds related to fraudulent Housing/Council Tax benefit claims, as did six of the 25 errors. Of the remaining 19 errors, 15 related to the creditors system, three to payroll and one to a failure by a residential care home to notify the Council of the death of a resident where their fees were being paid by the Council.

At the end of the national exercise, the Audit Commission had released a briefing note for Members. This document was attached at Appendix 3 of the report. Its purpose was to allow Members to compare their own Authority's results with the national picture.

In addition to the NFI data matching exercises, the Audit Commission had also introduced an annual fraud survey to be completed by the end of June 2010, giving data in respect of the previous financial year. From June 2010 onwards the survey had become compulsory. The areas covered were:-

- Housing Benefit and Council Tax Benefit Fraud
- Housing Fraud (not related to benefits)
- Council Tax fraud (relating to discounts and entitlements)
- NNDR fraud
- Procurement fraud
- Fraudulent insurance claims
- Social service fraud (including payments to contractors for house modifications, personalised budgets for purchase of care, failure to declare capital and assets, care provision by contractors or a non-governmental organisation)
- Economic and third sector support fraud
- Debt fraud (any avoidance of debt due to the organisation including Council Tax, Rent arrears, false declarations, false instruments of payment or documentation)

- Investment fraud
- Payroll fraud
- Expenses fraud
- Abuse of position
- Recruitment fraud
- Manipulation of data whether financial or non-financial
- Disabled parking concession fraud
- Emerging issues
- Prosecutions
- Claims under the Fidelity Guarantee Insurance policy
- Counter fraud and corruption activity
- Audit committee activity
- Anti-money laundering activity
- Whistleblowing policy

The next NFI exercise (2010/11) was due to begin in September 2010 with data extracts being taken on 4 October 2010 and the results due to be available from 28 January 2011. The areas to be covered would duplicate those examined in the 2008/9 exercise.

Resolved to note the report.

14/10 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”

15/10 Internal Audit – Update on Progress 2009/10

The Committee considered a report which summarised the internal audit work completed in the period 1 March to 31 May 2010.

Resolved to note the activity and performance of Internal Audit in the period 1 March to 31 May 2010.

16/10 Call-in: Markets Audit Report

The Committee considered confidential information relating to the call-in Markets Audit.

Resolved to note the progress made on improving the control environment around markets income.

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