

AUDIT SUB-COMMITTEE

Minutes of the meeting held on 10 June 2010

Present:

Councillor Michael Tickner (Chairman)
Councillors Councillor Reg Adams, Councillor Nicholas Bennett J.P., Councillor Lydia Buttinger (Vice-Chairman),
Councillor Simon Fawthrop and Councillor Julian Grainger

Also Present:

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Stephen Wells. The Chairman welcomed the Vice-Chairman, Councillor Lydia Buttinger, to her first meeting of the Sub-Committee.

2 DECLARATIONS OF INTEREST

Councillors Reg Adams, Lydia Buttinger and Nicholas Bennett declared personal interests as school governors. Councillor Simon Fawthrop declared a personal interest as the parent of a child at a Bromley school.

3 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 23rd MARCH 2010 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 23rd March 2010 be confirmed.

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

5 MATTERS OUTSTANDING FROM THE LAST MEETING

Councillors commented that the agenda frontsheet could be improved, particularly by including sub-headings for all matters being considered within each report, and the Chairman undertook to discuss this with officers.

The following outstanding matters were discussed –

(a) Officers' Expenses (Minute 21, 22nd September 2009 and Minute 30 (ii), 8th December 2009) – The Sub-Committee was informed that the issue of officer expenses had been considered by the Chief Officers Executive (COE).

RESOLVED that a note be circulated to the Sub-Committee setting out and explaining all benefits and expenses payable to officers, including interview and relocation expenses, lease cars, telephones and bonuses.

(b) Mobile Phones (Minute 33 (ii), 8th September 2009) – A report had been considered the previous evening at Executive and Resources PDS Committee, recommending to the Resources Portfolio Holder that work mobile phones should not be replaced with an allowance system. A new provider was also recommended in the report, and a mobile phone usage policy had been drawn up. The Sub-Committee was satisfied that the PDS Committee was looking at the issue.

RESOLVED that the Sub-Committee's thanks to the auditors involved in examining mobile phone use be recorded.

(c) Pension Fund (Minute 44 – 23rd March 2010) – The Investment Sub-Committee was due to consider the External Audit Plan for the Pension Fund at its next meeting, which was now re-scheduled for 8th September 2010.

(d) Transition Team (Minute 45 (iv) – 23rd March 2010) – A report was due to be considered at the Children and Young People PDS Committee on 20th July 2010 and the Adult and Community PDS Committee on 27th July 2010.

(e) Value for Money Reporting (Minute 46 – 23rd March 2010) – The Improvement and Efficiency Sub-Committee was due to consider value for money issues on 8th July 2010.

(f) Direct Payments (Minute 50/1 – 23rd March 2010) – A report was due to be considered by the Adult and Community PDS Committee on 27th July 2010.

6 INTERNAL AUDIT PROGRESS REPORT

Report DR10050

The Sub-Committee considered a report informing them of recent audit activity across the Council and updating them of progress on matters outstanding from the last meeting and implementing previous priority one recommendations.

(a) Cash Payments

The Chairman reminded the Sub-Committee that, as a result of work by internal auditors, it had asked officers to halve the value of cash payments made within a year. In addition to increased use of BACS, initiatives were under way to introduce purchasing cards and pre-paid cards – it was

estimated that 140 pre-paid cards would replace around 3,300 cash payments per annum. Purchasing cards and pre-paid cards helped to make processes more efficient and provided data to help with reclaiming VAT. Clients were also encouraged to move to internet banking, but it was accepted that there was customer resistance to this.

RESOLVED that a further progress report be made at the next meeting.

(b) New Issues since the last meeting

Officers reported that the target to complete 95% of audits within two months of starting them was still not being met. This was partly due to secondment to cover new performance management responsibilities, and also staff sickness within the Internal Audit Team.

(c) Parking Income 2009/10

A priority one recommendation had been made with regard to the failure to reconcile parking income from October 2009 onwards. Ben Stephens, Head of Parking, attended the meeting for this item. He explained that formal reconciliations had not taken place due to short term staffing issues and prioritisation of work on implementing a new computer system, and that management would have been informed immediately had the Council's contractors suspected any discrepancies. Reconciliations were now up to date, with no substantial discrepancies having been found, and measures had been put in place to ensure that there was a dedicated staff resource for reconciliations. The Sub-Committee also asked about the relative cost of different payment methods, such as credit cards, mobile phones, cash and smart cards (it was suggested that the latter could be explored with Transport for London).

(d) Debtors

Members noted that, following some short term management problems, the Domiciliary Care service had been transferred to Adult and Community Services and debt collection issues were being addressed. It was important to ensure that debts were followed up quickly and not allowed to build up. Members commented that the service might be better managed in the private sector; the Director of Resources confirmed that the scope of the contract now managed by Liberata would be examined.

RESOLVED that timescales for the completion of reconciliations and recovery actions be set down and reported back to the Sub-Committee and that an update be made to the next meeting, with appropriate charts showing trends including average debtor days, and covering write-offs and incentives for early payment.

(e) Primary School

The Sub-Committee discussed payments to an IT company made by a primary school, which had come to light when an income and expenditure audit had been carried out at the request of new governors of the school. No evidence had been found to suggest any fraud, and weekly visits were being made to support the school's finance officer.

(f) Housing Benefit Update

Councillors welcomed the graphs presented for this item; the apparent spikes of activity in March were possibly as a result of efforts to meet annual targets or from National Fraud Initiative activity.

RESOLVED that Brendan Costello, manager of the anti-fraud team at Greenwich, be requested to attend the next meeting when housing benefit fraud issues are presented.

(g) Annual Governance Statement

The Sub-Committee noted the Annual Governance Statement produced under the Accounts and Audit Regulations. The Chairman commented that it appeared that too much effort was going into "governance" at the expense of combating fraud, and that the "shared principles" at the end of the section on "The Governance Framework" were just a list of virtues.

RESOLVED that the Sub-Committee's concerns be noted for the next publication of the accounts.

7 INTERNAL AUDIT ANNUAL REPORT 2009/10

Report DR10057

The Sub-Committee received the Internal Audit Annual Report for 2009/10, which included highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

The Chairman suggested that value for money should feature in the main objectives for Internal Audit (set out in paragraph 3.2 of the report), and that the wording should refer to proactively identifying fraud and prosecuting offenders.

The Sub-Committee noted that the performance indicator requiring 95% of audits to be completed within two months had not been achieved, and was running at 83%. One factor was increased sickness levels in the Internal Audit Team, although officers reported that, overall, the levels were not excessively high. Members suggested firm management action to tackle staff sickness, including freezing attendance at external conferences and training courses, thorough checks by Occupational Health and promoting working from home. However, it was considered that positive incentives and a continuing focus on quality were also needed.

Members asked whether managers who did not respond to issues raised by Internal Audit faced any reduction in performance related pay. Officers responded that there could be an impact on pay, but not all priority one recommendations were necessarily the result of management failure, and there were processes to deal with poor management performance. Members requested that the charts in paragraph 3.20 of the report should include a breakdown by department as an incentive to chief officers. The chart at Appendix 1 did already include departments, and Members requested that the table be re-formatted for the next meeting, and include details of any priority one recommendations which had not been implemented by management.

Councillor Julian Grainger suggested that audits of Children's' Centres needed to focus on whether they were actually improving outcomes for children, reaching the right people and responding to real documented demand. Councillor Nicholas Bennett responded that these were issues for Policy Development and Scrutiny Committees and that he would raise this with the Children and Young People PDS Committee.

RESOLVED that

(1) The Internal Audit Annual Report 2009/10 be noted.

(2) An additional bullet point be added to the Internal Audit objectives at paragraph 3.2 of the report to cover value for money and firming up the wording of the bullet point on identifying fraud.

8 ANNUAL SCHOOLS AUDIT REPORT 2009/10

Report DR10054

The Sub-Committee received a summary of work carried out by the Internal Audit Team in primary, secondary and special schools and colleges during 2009/10. Improved versions of the tables at appendices B and D in the report were tabled.

The Sub-Committee was concerned that conclusive advice had not been obtained on whether the lease agreement entered into by Secondary School B should be classified as operational or financial.

RESOLVED that

(1) The report be noted.

(2) The Sub-Committee's concern at the lack of a decision on the lease agreement entered into by Secondary School B be recorded.

9 INTERNAL AUDIT AND VALUE FOR MONEY REPORTING

Report DR10056

The Sub-Committee considered a report updating them, following a request at the last meeting, on how a methodology for reporting on and assessing value for money (VFM) could be introduced.

A matrix of for reviewing vfm risks and controls had been drawn up, enabling each element to be ranked on a scale of 1 – 4, and Members were keen to use this in a pilot area. However, officers cautioned that it would not be possible to offer a comprehensive vfm assessment in all Internal Audit reports, and that it was important not to duplicate work being carried out by the Corporate Improvement Team. Time had been allocated in the Audit Plan for piloting an approach to value for money, and it would be possible to start work by September.

Councillor Grainger suggested the following questions to assess vfm –

- (i) Has the service used evidence such as the IPF Statistical Review to identify those Councils which have either -
 - (a) cheaper unit cost; or
 - (b) reported a better outcome?
- (ii) If not, what other sources of comparison has the service used?
- (iii) Which Councils with a “better” performance has the service contacted?
- (iv) Has the service made (or is proposing to make) any changes from what it has learnt from other Councils?
- (v) Which private sector entities have been identified as possible comparators?
- (vi) Has the service applied steps (iii) and (iv)?

The Director of Resources commented that it was difficult to use benchmarking data effectively to achieve improvements to services. Members commented that outcome or output measures should be examined to achieve real vfm, and that it would be important to communicate the purpose of this new approach to managers and to auditors.

RESOLVED that

(1) The approach that could be adopted for Internal Audit value for money assessments set out in the report, including the control matrix and 1 – 4 scale ranking, be supported in principle, building in the questions proposed above by Councillor Grainger and other comments from Members.

(2) A pilot vfm audit be started in September.

(3) Progress be reported at the next meeting.

10 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF

INFORMATION ACT 2000

RESOLVED that the press and public be excluded during consideration of the items of business referred to in the following Minutes as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the press and public were present there would be disclosure to them of exempt information.

**The following summaries refer to matters
involving exempt information**

**11 CONFIRMATION OF EXEMPT MINUTES OF THE MEETING
HELD ON 23RD MARCH 2010**

The exempt minutes of the meeting held on 23rd March 2010 were confirmed.

**12 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS
REPORT**

The Sub-Committee considered details of recent internal audit activity across the Council and updates on matters raised at the last meeting.

The Meeting ended at 11.00 pm

Chairman