

AUDIT SUB-COMMITTEE

Minutes of the meeting held on 23rd March 2010

Present:

Councillor Michael Tickner (Chairman)
Councillors Graham Arthur, Nicholas Bennett JP
(for part of the meeting), Ruth Bennett,
Julian Grainger and Russell Mellor

39. APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

Apologies for absence had been received from Councillors Reg Adams, Simon Fawthrop and Stephen Wells. Councillors Julian Grainger and Russell Mellor attended the meeting as the alternates for Councillors Fawthrop and Wells, respectively. The Chairman also reported that Councillor Nicholas Bennett JP would be arriving late to the meeting.

40. DECLARATIONS OF INTEREST

Councillors Ruth Bennett and Julian Grainger declared personal interests as school governors.

41. MINUTES

RESOLVED that the Minutes of the meeting held on 8th December 2009, excluding those containing exempt information, be confirmed.

42. QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

43. MATTERS OUTSTANDING FROM THE LAST MEETING

The Chairman went through the matters arising listed on the agenda page – the present position involving where action had subsequently been taken since the last meeting, where further action was awaited or where a further report was to be considered later in the meeting, was noted.

44. EXTERNAL AUDIT REPORTS

(i) Annual Grant Claim Certification Report

The Council's external auditor, Pricewaterhouse Coopers LLP, presented their first annual report summarising the results of their 2008/09 grant claim certification work. The results of the certification work were considered when performing other Code of Audit Practice work at the Council including the conclusions on the financial statements, use of resources, data quality and financial management. The external auditor had audited all the claims which had been brought to its attention. All deadlines for submission of audited claims/returns had been met with the exception of the Child Care Affordability Programme (CAP) Grants for 2007/08 and 2008/09 and the General Sure Start 2007/08 claim. The work on the CAP grants had been delayed until agreement of the amounts had been received by Bromley from the Greater London Enterprise and this had been completed in January 2010. The format of the Sure Start grant submission had changed and therefore a new audit was required this year. Overall, the external auditor had identified that the Council had strong internal controls and financial reporting processes in place over the administration and preparation of grant claims. Implementation of the external auditor's recommendations as set out provided potential to improve the efficiency of the grant certification process even further.

RESOLVED that the report be noted.

(ii) Annual Audit Letter 2008/09

In accordance with the duties and powers set out in the Audit Commission Act 1998 and the Local Government Act 1999, the External Auditor had published its Annual Audit Letter 2008/09 in December 2009. The purpose of the letter was to provide a high level summary of the results of the 2008/09 external audit work which had been undertaken at the London Borough of Bromley that was accessible for Members and other interested stakeholders. This letter had been discussed and agreed with the Chief Executive, had been noted by the Executive on 3rd March 2010 and referred to this Sub-Committee for consideration.

It was indicated that the Council continued to perform well overall having achieved a score of 3 out of a possible 4 in assessment of managing finances – focusing on sound and strategic financial management; governing the business – focusing on strategic commissioning and good governance; and managing resources – focusing on the effective management of natural resources, assets and people. The Letter indicated that the Council had a strong focus on sound financial management; that it had robust medium and longer term financial plans in place which were focused on the Council's key priorities; that the Council had a clear understanding of its community needs and that, with its partners, had developed a sustainable community strategy, "Building a Better Bromley"; that risk management arrangements were in place and risks were identified and mitigated against and the Council had a sound system of internal control; that the Council was delivering its

strategy to reduce its own use of natural resources and its impact on the environment and understood where it could most effectively intervene to reduce its “carbon footprint”; and that the Council managed its assets effectively and regularly reviewed asset usage to improve services, value for money or to release funds for other projects and programmes.

The Director of Resources pointed out that the criteria for assessment had been substantially changed this year and that the new framework was generic. There was a wider focus and also a greater concentration on achievement, outputs and outcomes and what difference arrangements had made for the local people. Members recognised that the assessment was designed to be more challenging for the Council and auditors. They welcomed the above comments and were satisfied with the Council’s overall performance.

RESOLVED that the content of the Annual Audit Letter 2008/09 be noted.

(iii) Pension Fund: Draft 2009/10 Audit Plan

This Audit Plan informed those responsible for the governance of the London Borough of Bromley Pension Fund about the external auditors responsibilities and how they were to be discharged. The Council was the administering authority for the Fund and this responsibility at Member-level was discharged by the Investment Sub-Committee.

The external auditor had considered the valuation of the Fund and its operations and had assessed the extent to which there were potential fund and audit risks that needed to be addressed by the Audit. The Council was due to obtain an up-to-date fund valuation at 31st March 2010. The Plan included an analysis of key risks, audit strategy, reporting and audit timetable and other matters.

RESOLVED that the draft 2009/10 Audit Plan for the audit of the Pension Fund be noted and referred to the Investment Sub-Committee for consideration.

**45. INTERNAL AUDIT PROGRESS REPORT
Report DR10036**

Consideration was given to a report received from the Director of Resources outlining the recent internal audit activity across the Council and updating Members on matters which had arisen since the Sub-Committee’s last meeting. Particular attention was drawn to the following issues in the report:

(i) Mobile Phones

Arising from the original audit priority one recommendation on the need for an agreed mobile telecommunications policy covering responsibilities of officers and mobile phone users, the Sub-Committee had given consideration to the possibility of staff being paid an allowance to use their own mobile phone in place of those currently issued by the Council. It was reported that a draft mobile telecommunications policy had been drawn up and was currently the subject of staff consultation prior to submission to the General Purposes and Licensing Committee for consideration. The possible payment of allowances for officers to use their own mobile phones would be considered by the Chief Officers' Executive before a report on the feasibility of the proposals was presented to the Executive and Resources PDS Committee.

(ii) Use of Cash Payments across the Council

At its last meeting (Minute 34 – 8.12.09), the Sub-Committee had requested a further report on the implementation of measures to reduce cash usage across the Council by at least 50% over the next year. In addition to the increased use of Bankers Automated Clearing Services where appropriate, the use of pre-paid cards was being investigated for reducing the number of cash transactions and also for achieving process efficiency benefits. An assessment of the potential application areas had focussed on Leaving Care as those accounted for almost 60% of the yearly cash payments of around £252,000 per annum and that potentially there were 140 cards that could replace the currently estimated 3,300 cash transactions per year in this area. In addition to Leaving Care, there was also potential for pre-paid cards to be applied to payments relating to support for parents and this would subsequently be assessed. In conjunction with this work, various supplier offerings were being reviewed and supplier presentations were currently taking place. A further update on the progress of introducing non-cash methods for users would be provided at the next meeting.

(iii) Emergency Accommodation and Rents

An update was provided on the reconciliation process between the rent account system and the Oracle financial systems. Rent accounts were designated by external audit as a managed audit and this area was currently being audited. The outcome of the audit findings would be reported to the next meeting.

(iv) Council Tax

In accordance with the Sub-Committee's request from the last meeting (Minute 33), a further report was submitted which included a revised table on Council Tax payment methods, the number of domestic payers and percentages as at 31st January 2010. Members were satisfied with the breakdown and noted that the annual internal audit for Council Tax which had been completed for 2009/10 had

shown that the procedures and process mapping for recovery were currently being updated.

(v) Debtors

At the last meeting, Members had requested information on the practicalities of use of the late payment of commercial debts legislation being applied to all debtors irrespective of whether they were in the private or public sector, including the possible pursuit of school debt through the Courts. It was reported that, on both legal and practical grounds, no other London Borough was known to apply interest on debt owed by schools. On a wider front, the application of interest on business debt would be very time consuming and complex as to how it could be charged, invoiced and collected and with no guarantee of collection. It was recognised that the best way forward was to continue to be selective and to target those large companies where the Council could expect to receive payment.

A Member referred to the benefit of having available a five-year graph that would identify changes and trends in longstanding debts (over a year or more) over a period of time and of possible seasonal effects. In response, the Director of Resources commented that a report on debts was regularly submitted to the Executive and Resources PDS Committee and that arrangements would be made for the inclusion of such a graph in all future reports to that Committee.

(vi) New Priority One Recommendations: Review of Transition Team

The Transition Team of the Adult and Community Services Department had a current year's budget of £265,480. The Team liaised with other service areas such as the Children with Disabilities Team and the Leaving Care Team (of the Children and Young People Services' Department) amongst others. An audit of the Team had resulted in one priority one recommendation and five other lower priority recommendations as set out in the report of the Director of Resources.

Members expressed concern over the findings of the audit and the issues which had been raised. In particular, the Adult and Community Services Portfolio Holder referred to the poor working conditions at Bassets House which accommodated the Transition Team and to the need for improvements to be made to the filing and record keeping facilities. Members questioned whether the issues which had been raised could be related to the operation of the Carefirst Management Information System and felt that, overall, the findings of the audit should be referred to both the Adult and Community Services and the Children and Young People PDS Committees for consideration.

(vii) Housing Benefit Fraud Update

Details were set out of the continuing achievements of the counter-fraud benefit partnership agreement which had been in place with the London Borough of

Greenwich since April 2002. Members recorded their congratulations to the Greenwich team.

(viii) Annual Governance Statement

The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, required audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control, and to publish a Statement on Internal Control each year with the Authority's financial statements. Since 2007/08, the Annual Governance Statement (AGS) had replaced the Statement on Internal Control and was now the formal statement that recognised, recorded and published an Authority's governance arrangements, as detailed in the report of the Director of Resources. The AGS was signed off by the Chief Executive and the Leader of the Council.

(ix) Risk Management

The Sub-Committee received schedules of the current net high risks and the corporate risks. It was reported that at present all risks were being updated as part of the 2009/10 Annual Governance Statement review process and would be reported to the next meeting.

RESOLVED that

(1) the report be noted;

(2) a report be submitted to the Executive and Resources PDS Committee and the General Purposes and Licensing Committee setting out (i) the cost of the existing provision of Council mobile phones; (ii) the policy regarding the use and eligibility for the issue of Council mobile phones; and (iii) the feasibility of offering an annual allowance to officers to use their own mobile phone in place of those issued by the Council;

(3) a further update be received at the Sub-Committee's next meeting on the progress of introducing measures to reduce cash usage across the Council by at least 50% over the next year;

(4) the outcome of the current audit into rent accounts be reported to the Sub-Committee's next meeting;

(5) arrangements be made for future reports on debt submitted to the Executive and Resources PDS Committee to include a five-year graph identifying changes and trends in longstanding debts (of a year old or more);

(6) the report on the audit of the Transition Team be referred to both the Adult and Community Services and the Children and Young People

PDS Committees for consideration and to review, in particular, whether the deficiencies highlighted by the audit were attributable to any failure in the Carefirst Management Information System;

(7) the continuing achievements of the counter-fraud benefit partnership with the London Borough of Greenwich be noted; and

(8) the Annual Governance Statement be noted.

**46. INTERNAL AUDIT AND VALUE FOR MONEY REPORTING
Report DR10041**

At the request of the Chairman, a report was submitted which informed the Sub-Committee on the types of Value for Money reviews available and considered how any future or existing internal audit work could be used to inform value for money issues that might assist in the overall efficiency agenda.

Consultation with other London Boroughs' Internal Audit Sections had revealed a mixture of methods for dealing with the issue of value for money and compliance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. However, in the bulk of those authorities which had been contacted, the main value for money remit took place in other parts of their Council's apart from the Internal Audit sections as resources were not available to undertake comprehensive value for money reviews. Whilst Bromley was in a similar position, the Chief Internal Auditor was mindful that alertness to value for money required by auditors often manifested itself in the high priority findings and recommendations which would otherwise not be covered in normal audit work. Therefore, within current limited staffing resources, the Chief Internal Auditor was looking, at this stage, to apply value for money ratings on selective audit reports using existing benchmarking information.

Members complimented the Chief Internal Auditor on the content of this report and, in supporting the approach outlined, felt that the Internal Audit process should be developed through the improvement and efficiency route. Output needed to be measured as well as outcomes. It was felt that Internal Audit should apply a value for money rating on audit reports on a scale of 1 to 4 similar to that used by external auditors as a means of assessing performance. Mindful of the limited resources available, Members recognised that this process should only be undertaken where known benchmarking information was available and not where new benchmarking information would have to be commissioned. In this connection, a Member referred to details that could be used from the benchmarking exercise which had been undertaken across the Council in 2008.

RESOLVED that

(1) a further report be submitted to this Sub-Committee containing suggested methodology for implementing value for money ratings in selective audit reports using benchmarks previously identified;

(2) the report of the Director of Resources be submitted to the Improvement and Efficiency Sub-Committee for consideration; and

(3) an update be submitted on any internal audit value for money initiatives undertaken in 2010-11.

**47. INTERNAL AUDIT PLAN 2010/11
Report DR10042**

A report was submitted by the Director of Resources informing Members of the draft Internal Audit Plan for 2010/11. As in previous years, the Plan had been formulated in accordance with the requirements of the Account and Audit Regulations and following discussions between Internal Audit and External Audit to ensure that the Authority's total audit resource was effectively managed and targeted. An annual work programme had been agreed with the External Auditor. There would be a total of 1553 audit days which were to be allocated in the plan for 2010/11 as indicated in the Director's report.

Details were set out regarding the regulatory audits including schools, risk-based audits and standards. It was noted that a more streamlined approach to audit reviews at secondary schools would be provided during 2010/11 whereupon a balance would be struck between the limited resources available and a proper audit being undertaken.

RESOLVED that the proposals contained in the Internal Audit Plan for 2010/11 be noted.

**48. 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**

49. EXEMPT MINUTES: 8TH DECEMBER 2009

The exempt Minutes of the meeting held on 8th December 2009 were confirmed.

50. INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT

The Sub-Committee received details of recent internal audit activity on investigations across the Council and an update on matters arising from the Sub-Committee's last meeting.

The meeting ended at 10.05 pm.

Chairman