

ROCHFORD DISTRICT COUNCIL

Minutes of the Audit Services Committee

At a Meeting held on 11 January 2000. Present: Councillors N Harris (Chairman), P A Beckers, C I Black, G Fox, Mrs J Hall, T Livings, G M Mockford, C R Morgan, P D Stebbing, R E Vingoe and P F A Webster.

1. MINUTES

The Minutes of the Meeting held on 23 November 1999 were approved as a correct record and signed by the Chairman.

2. EXTERNAL AUDIT – MANAGEMENT LETTER

The Committee considered the report of the Corporate Director (Finance and External Services) which gave details of the external audit of the Council's accounts for 1998/99, completed by the new auditors, Pannel Kerr Forster. The Chairman introduced Messrs Richard Bint and David Eagles, and Ms Rosemary Clarke, who presented a summary of the main findings of the audit, and answered Members' questions.

During the presentation, particular regard was given to the following areas:

VALUE FOR MONEY

Service and financial planning review

- It was explained that the Audit Commission's milestone indicators were a means of measuring progress towards completion of the Best Value Performance Plan, and meeting these individual targets was not in itself a statutory requirement. The Council would, however, statutorily be obliged to publish the Plan by 1 April 2000.
- The Committee concurred with the view of a Member that implementing many of the Auditors' recommendations – for example, in respect of the Authority's approach to service and financial planning – would have significant cost and resource implications, although it was acknowledged that the allocation of the Council's resources could be improved by a better planning framework.

Income and Charging

- The Auditors had suggested that, as part of the income and charging review, further investigation should be carried out to identify the beneficiaries of subsidised services, particularly free Saturday afternoon car parking. The Corporate Director (Finance and External Services) informed Members that a customer survey, using a return leaflet, relating to the use of this facility

had been undertaken. It was recognised that the provision of any subsidy, for example in relation to the leisure contract, was a policy decision that would need to be considered by Members in the context of other budgetary considerations.

Community Safety Review

- The management letter had highlighted the Council's success in complying fully with the requirements of the Crime and Disorder Act, but, at the same time, emphasised the need for continued monitoring. The Chief Executive informed Members that both the Council's Community Safety Sub-Committee and a number of Countywide groups received regular monitoring reports concerning progress in achieving the objectives of the Crime and Disorder Strategy.

Environmental Stewardship

- Members questioned the validity of comparisons between this Council and other larger, better-resourced authorities. It was acknowledged that environmental stewardship accreditation would involve a monetary cost and significant use of internal resources. If obtained, it would serve to raise the status of environmental issues within the Authority.
- Replying to a Member question, the Corporate Director indicated that 10% of the Council's housing stock had already been assessed for energy efficiency and, resources permitting, it was hoped to expand this survey.
- The Auditors' survey of environmental initiatives reflected the position in the first half of 1999, and did not therefore, include the substantial work undertaken subsequently, for example to promote kerbside recycling, collection of household refuse, and preparation of Local Agenda 21. The Chief Executive confirmed that the Council was on schedule to achieve full implementation of the Local Agenda by the target date contained within the Audit Commission's performance indicators.

Status of Previous Reports

- Ms Clarke clarified that the "succession plan" was regarded by the Auditors as an assessment of the extent to which vacant posts could be filled internally, rather than an assumption that internal promotion would automatically take place. The Chief Executive indicated that an early retirement policy was already in place, and would be further reviewed by the Personnel Manager where necessary.

BEST VALUE

- The importance of carrying out wide-ranging public consultation as part of developing the Best Value Performance Plan was highlighted by the Auditors, and the Chief Executive acknowledged that the need to devise and conduct appropriate opinion polls had been recognised as an area in which further work was required. It was important that the public's overall

satisfaction with the Council's performance was obtained, whilst at the same time not raising false expectations by the type of questions asked. It was suggested that consultative polls could be conducted in partnership with other District/Borough Councils and/or the County Council to reduce the cost to the Authority.

FINANCIAL STANDING

- It was confirmed that the financial information included within this section of the management letter reflected the position at March 1999 and did not, therefore, include new initiatives subsequently developed which could have budgetary implications, such as the waste diversion strategy. Similarly, the possible capital receipt from the sale of land and property assets had not been taken into account.

FINANCIAL STATEMENTS

- The Auditors had strongly recommended that the Council's procedures for asset valuation should be enhanced, and explained to Members that this would provide a clearer idea of the real cost of service provision; an indication of possible sources of income that could be obtained from greater use of the Council's land and buildings; give an accurate picture of the amount of finance tied up in capital assets; and would provide a useful inventory for probity purposes. The Corporate Director informed the Committee that government plans to introduce a single capital "pot" would place increased emphasis upon the need for valuation of assets. Under these proposals it would be necessary in future for Councils to submit asset management plans, together with performance indicators, which would then be used to determine the capital allocation awarded. It was anticipated that, for property assets, valuations would be required every five years.

In conclusion, the Chairman thanked the Auditors, on behalf of the Committee, for their informative presentation and for producing a comprehensive, wide-ranging report.

Members noted, in summary, that the auditors had identified two key areas where it was considered that further action was required to strengthen the Council's overall arrangements. These were as follows:

- Achievement of the Audit Commission's Best Value milestone indicators. There was a need to develop a consultation strategy for corporate as well as service objectives.
- Implementing the requirements of capital accounting. The service expenditure in the accounts was not considered fully to reflect the cost of the assets used in providing those services, and the valuation of certain assets had not been carried out on a systematic basis. The asset records for equipment, fixtures and vehicles needed to be comprehensive and accurate to enable proper asset management, and to safeguard the property of the

Authority. Discussions with Officers concerning the steps that would need to be taken to enhance the fixed asset records and capital accounting requirements had been undertaken.

The auditors had issued a qualified audit opinion in view of the improvements that were considered necessary to the capital accounting procedure, and the budgetary/staffing implications of carrying out measures to address the auditors' concerns were considered. It was pointed out that an additional £3,000 budget provision would be required for asset valuation, and that the Head of Financial Services and Corporate Director (Finance & External Services) would need to review their duties in order to provide the assistance necessary to allow the Principal Accountant to carry out the necessary additional work.

Furthermore, it was recognised that, under the provisions of the Accounts and Audit Regulations 1996, the Corporate Director was under a mandatory and personal duty to compile the accounts in full accordance with any regulations or codes of practice in force at the time, and that the Council was required to provide the necessary resources to carry out that duty.

In view of these requirements, it was

RECOMMENDED to Council

1. That the Council should take the action necessary to comply fully with the Capital Resource Accounting Requirements.
2. That an additional £3000 be provided to carry out further asset valuations. (CD(F&ES))

3. CITIZENS CHARTER PERFORMANCE INDICATORS 1998/99

The Committee received and noted the report of the Chief Executive which gave details of the Council's Performance Indicators for 1998/99, together with those for 1997/98 for comparison. The indicators had been agreed by the External Auditors, and published in the local press.

Members raised a number of points in relation to changes in some of the indicators over the two-year period, and Officers undertook to provide the Committee with an explanatory letter, including details of the definitions used by the Audit Commission.

EXCLUSION OF THE PUBLIC AND PRESS

Resolved

That under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the Meeting for the following items of business on the grounds that they involved the likely disclosure of Exempt Information as defined in Paragraph 14 of Part 1 of Schedule 12A of the Act.

4. REPORT OF THE BENEFIT FRAUD INSPECTORATE

The Committee considered the confidential report of the Corporate Director (Finance and External Services) to which was appended the report of the Benefit Fraud Inspectorate (BFI), following the inspection of the Housing Benefit Service undertaken during August 1999. Also attached was a summary of the action that had been identified as necessary to address the report's recommendations.

The Chairman introduced, and welcomed to the Meeting, Mr Bill Hearn from the BFI who, with the aid of handouts, explained the background to the Inspectorate and the main findings of the inspection. Mr Hearn explained that the report was subject to the Secretary of State's approval and that, if approved, it would be published on 29 January 2000. The Secretary of State would then invite the Authority to submit an Action Plan, identifying the measures proposed to address the report's recommendations, which would form the basis of subsequent monitoring. The BFI would return in approximately 6-9 months to carry out a review of progress. It was pointed out that whilst compliance with the Framework was not yet mandatory, the Secretary of State could insist, by direction, upon the implementation of acceptable verification processes.

Subsequent discussion addressed the human and financial resource implications of the BFI recommendations and possible prevention and detection strategies.

The Chairman, in conclusion, thanked Mr Hearn on behalf of the Committee for his presentation and helpful answers to Members' questions.

Resolved

1. That the response to the Benefit Fraud Inspectorate's report, and the action identified, (a copy of which is appended to the signed copy of these Minutes) be agreed.
2. That progress in achieving the action plan be included within the monitoring reports considered by the Committee. (CD(F&ES))

5. COUNTERING HOUSING BENEFIT FRAUD – OUTSTANDING ISSUES

The Committee considered the confidential report of the Corporate Director (Finance and External Services) which summarised the action that had been identified as necessary to address issues arising from the recommendations of the Audit Commission Handbook "Countering Housing Benefit Fraud", as considered at the Committee's recent Meetings. An action update was appended to the report.

Resolved

That the schedule identifying progress in achieving the recommendations of the Audit Commission’s Handbook “Countering Housing Benefit Fraud” be incorporated within the monitoring reports considered by the Committee. (CD(F&ES))

6. INTERNAL AUDIT PLAN

The Committee considered the confidential report of the Chief Executive which included the following:

- Progress with recommendations relating to internal audit reports, which had previously been considered by the Committee. In relation to the Health and Safety Report, the Audit and Process Review Manager reported that, following concerns expressed at the last Meeting, measures to establish a data base relating to violent customers were currently in progress.
- The monitoring report outlining progress with recommendations contained within Audit Commission publications.
- The proposed internal audit plan for the next three years.
- The planned programme of audit assignments for 2000/01 – 2002/03. It was explained that each area would be reviewed immediately after an audit had been carried out, to re-assess its risk status.

Resolved

1. That the updated recommendations from the internal audit reports and the audit commission publications be agreed.
2. That the Strategic Audit Plan be agreed. (CEX)

The Meeting opened at 6.30 pm and closed at 9.55 pm.

Chairman

Date