

Finance & Procedures Overview & Scrutiny Committee – 15 December 2005

Minutes of the meeting of the **Finance & Procedures Overview & Scrutiny Committee** held on **15 December 2005** when there were present:-

Chairman: Cllr K H Hudson

Cllr R G S Choppen
Cllr K J Gordon
Cllr Mrs S A Harper

Cllr T Livings
Cllr Mrs J R Lumley
Cllr P F A Webster

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs P K Savill and P R Robinson

OFFICERS PRESENT

R J Honey	- Corporate Director (Law, Planning & Administration)
R Crofts	- Corporate Director (Finance & External Services)
T Metcalf	- Audit Process & Review Manager
B Butler	- Principal Auditor
J Kevany	- Principal Auditor
M Martin	- Committee Administrator

REPRESENTING PKF

D Eagles
S Frith

514 MINUTES

The Minutes of the meeting held on 8 December 2005 were approved as a correct record and signed by the Chairman.

515 INTERIM ANNUAL AUDIT AND INSPECTION LETTER 2004/05

The Chairman welcomed David Eagles and Stuart Frith to the meeting.

The Committee received the Interim Annual Audit and Inspection Letter 2004/05 produced by PKF, the Council's external auditors and noted that this would be attached as an appendix to the Final Audit and Inspection Letter.

In response to Members' questions, the following was noted:-

- The interim letter would be attached in due course to the Final Audit and Inspection Letter.

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- PKF were appointed by the Audit Commission as auditors to the Council. A percentage of the audit fees paid by the Council to its external auditor are passed on to the Audit Commission.
- The increase of 'actual' over 'planned' fees in respect of the Certification of grant claims had been due to the fact that it had taken longer than anticipated to complete what was required by the Audit Commission. Details of variance were provided at the time of billing.

Appended to the Letter were a list of officer responses to the five recommendations provided by PKF which related to the issues raised in the Interim Annual Audit and Inspection Letter.

In consideration of this appendix, Members noted:-

- Four Members of the Council were in place on the Joint Tenant Steering Group.
- The Council was reliant on data being provided by partner organisations to substantiate local performance indicators.
- The final response should have read “.....to ensure new postholders overlap with existing postholders”.

Members requested that the Police be invited to attend a meeting to explain the delays being experienced by the Council in receipt of data relating to a number of areas.

Members noted that increasingly more reliance was being placed on the work of the Council's Internal Audit section to avoid duplication of work. Officers confirmed that they were satisfied with the controls in place to monitor the outsourcing of some aspects of the NNDR system to Chelmsford Borough Council.

With the impending retirement of key financial staff, together with the fact that the deadline for completion of the drafting of accounts for approval by Members had been brought forward by a month to 30 June 2006, attention was drawn to the timeliness of the appointment of the new postholders. The change of deadline would put increased pressure on the finance department to complete the accounts closedown process.

Resolved

That the following responses to the five recommendations contained within the Interim Annual Audit and Inspection Letter 2004/05, together with implementation dates be agreed:-

- (1) System already in place for monitoring external and internal audit recommendations. Action will be monitored through this process with Member input through Committee decision-making and update monitoring. Ongoing.
- (2) Joint Tenant Steering Group in place with four Members representing the Council. Regular reporting to the Council for decision-making. Ongoing.
- (3) Action has already been taken to upgrade data quality where possible. However, the information in some instances is provided by partner organisations/agencies, eg, Police, Serviceteam. Ongoing.
- (4) The budget process continues to focus on priorities and non-priorities. Service planning will become more formalised in order to highlight priorities in future budgeting. Ongoing.
- (5) Recruitment process for key staff being implemented to ensure new postholders overlap with existing postholders. May/June 2006.
(CD(F&ES))

516 OUTLINE AUDIT AND INSPECTION PLAN 2005/06

The Committee received and noted the report of the Corporate Director (Finance & External Services) relating to the Outline Audit and Inspection Plan 2005/06, which had been appended to the report.

In response to Member questions/comments, the following was noted:-

- PKF were required to take account of the previous Comprehensive Performance Assessment and to provide assessment scores to feed into the process for 2005/06.
- The term 'CAKE' referred to Cumulative Audit Knowledge and Experience.
- Inspection work was billed separately by the Audit Commission in addition to a percentage of the subtotal of audit fees.
- PKF would aim to provide a final analysis of what proportion of their fees were directly related to the work of the Comprehensive Performance Assessment.
- The third column of the Risk Assessment Matrix identified that a problem still existed, despite the mitigating controls that had been put in place.
- If the deadline for completion of the drafting of accounts was not achieved by 30 June 2006, there would be a reputation risk for the Council.

- The wording in the third column against Best Value Performance Indicator (BVPI) No. 8 was intended to indicate that whilst the authority was taking the right steps against the risk, it needed to continue to adhere to the CPA Improvement Plan.

Appropriate arrangements were in place to ensure that the retirement of senior staff within the finance team would not impact on the need for the Council to have an interim Section 151 Officer.

517 UPDATE OF AUDIT RECOMMENDATIONS

The Committee considered the report of the Chief Executive drawing Members' attention to the recommendations of the External Auditor's report SAS610, dated October 2005 and the recommendations of the External Auditor's Interim Report, dated July 2005. Both reports had been presented to this Committee at its meeting on 25 October 2005.

In response to Member questions/comments the following was noted:-

- **Supporting People**

Progress on Supporting People item was on target.

- **Bad debt provision**

The timing of June 2006 for Bad Debt Provision was allied to the closure of accounts date.

- **Accounts Preparation**

The date of August 2006 against Accounts Preparation was the date when the actual audit would be carried out.

- **Standards of Financial Conduct**

A Code of Conduct for Local Government Employees was still awaited as part of the new ethical framework associated with the Local Government Act 2000.

- **NNDR – exception reports**

An updated version of the Academy system was currently in its test phase and due to go live early in the New Year.

- **Housing Rents – reconciliation**

This was complete and could be deleted.

- **Housing Rents – arrears chasing**

11/05 was not a target date, but indicated when the Head of Revenue and Housing Management had requested that this item be left outstanding pending the carrying out of thorough checks, after which it could be deleted.

- **Statement of Internal Control** – the statutory deadline for preparation was 31 August 2004; the wording in the ‘Action to date’ column was a little misleading in that the internal controls now in place were considered satisfactory.

Resolved

That the monitoring sheets for the external audit recommendations be agreed.
(CE)

**518 AUDIT REVIEW OF CORPORATE GOVERNANCE AND RISK
MANAGEMENT**

The Committee considered the report of the Chief Executive relating to the independent review on the current position of Corporate Governance & Risk Management in line with the requirements of these strategies.

Members noted that the document would be updated to take account of any changes to the Committee structure agreed by Council on 22 December 2005.

In response to Member comments/questions, the following was noted:-

Community Focus – Dimension 1

- Members requested an update on the role of parishes.
- The Joint Tenant Steering Group had completed its final deliberations in respect of selecting a partner; the post of Tenant Participation Officer would be one of the posts to transfer under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).
- SLA referred to a Service Level Agreement. This remained as a relatively low priority.

Resolved

- (1) That the progress of the Corporate Governance Framework continue to be monitored, with particular attention given to the low scoring dimensions.
- (2) That a report be brought back in six months’ time on the following three areas to ensure that progress is being made:-
 - Community Focus – Dimension 1
 - Service Delivery Arrangements – Dimension 2

- Risk Management & Internal Control – Dimension 4. (CE)

519 INTERNAL AUDIT PROGRESS REPORT 2005/06

The Committee considered the report of the Chief Executive inviting Members to monitor the progress of the Internal Audit Plan for 2005/06 and to agree the proposed changes to the Audit Plan.

Resolved

That the changes to the 2005/06 Audit Plan be agreed and the progress noted. (CE)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the public and press be excluded from the meeting for the remaining item of business on the grounds that exempt information as disclosed in Paragraph 14 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed.

520 AUDIT REPORT

The Committee considered the exempt report of the Chief Executive drawing Members' attention to completed audit investigations and providing an update of audit recommendations.

Resolved

- (1) That the conclusions and results from the audits be agreed.
- (2) That the update information on the audit recommendations be agreed.
(CE)

The meeting closed at 9.10 pm.

Chairman

Date