

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 15 June 2012 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr C.R. Jordan (Chairman) Mr T. J. Jermy
Mr R.G. Kybird (Vice- Mrs E. M. Jolly
Chairman)
Lady Fisher

Also Present

Mr T. Ludlow Mr M. A. Wassell
Mr K. Stevens

In Attendance

Robert Murray - District Auditor, Audit Commission
Sandra C. King - Head of Internal Audit
Alison Chubbock - Accountancy Manager
Julie Britton - Senior Committee Officer
Keith Eccles - Building Control Manager (Capita
Symonds for Breckland Council)
Vicky Thomson - Assistant Director - Democratic Services
Jeff Upton - Interim Planning & Building Control
Manager
Robert Walker - Assistant Director of Commissioning
Martin Hodgson - Associate Director – Urban Vision

23/12 MINUTES (AGENDA ITEM 1)

The Chairman welcomed Mrs Ellen Jolly to her first meeting as a new Member of the Committee.

The Minutes of the meeting held on 23 March 2012 were confirmed as a correct record and signed by the Chairman.

24/12 APOLOGIES (AGENDA ITEM 2)

An apology for absence was received from Robert Childerhouse.

25/12 DECLARATION OF INTEREST (AGENDA ITEM 4)

Lady K Fisher declared a personal and prejudicial interest in agenda items 11 and 16 in relation to the Thetford Area Action Plan and would leave the room if this particular matter was discussed.

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**26/12 NON-MEMBERS WISHING TO ADDRESS THE MEETING
(AGENDA ITEM 5)**

Michael Wassell.

**27/12 MONITORING OF THE EXTERNAL AUDIT SITUATION
(STANDING ITEM) (AGENDA ITEM 6)**

Mr Robert Murray, the District Auditor for the Audit Commission, informed Members that the audit practice was being outsourced and would be moved to Ernst & Young from 1 November 2012. This would be the first time in the history of the Commission that all audits of the accounts of public bodies in England would be carried out by private firms.

Ernst & Young would be contacting the Council in July and the Audit Commission would be formally appointing new auditors forthwith. Staff from the Commission would be transferred to Ernst & Young on 31 October 2012.

**28/12 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL
AUDIT FOR 2011/12 (AGENDA ITEM 7)**

The report set out the results of an annual review of the effectiveness of Internal Audit undertaken to satisfy criteria in the Account and Audit Regulations 2011. It demonstrated that due processes had been followed and that reliance could be placed on the opinions expressed by the Head of Internal Audit which could then be used to inform the authority's Annual Governance Statement.

The outcomes of the review had been attached at Appendix 1 to the report and essentially benchmarked the service against a range of eight assessment criteria.

The Chairman congratulated the Head of Internal Audit as he felt that the report was clear and easy to understand.

In response to a question linked to delays over audit fieldwork completion, Members were informed that the delays mentioned on page 13 of the report had not incurred any additional cost to the Council. One audit was then subject to further discussion, namely the review of Community Development, where it had been noted that poor audit trails had caused considerable extra work for the Auditor. It was explained that aspects of Community Development had been difficult to follow and a huge amount of information had required examination in consequence, to establish processes followed. There had then been a problem converting the corresponding draft report to a final audit report. Management had been slow to provide their responses to audit recommendations and where actions had been agreed, responsible officers had not been

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named, hence there had to be further liaison with management to clarify who would be delivering the agreed actions. Members were referred to the Head of Internal Audit's Annual report under Agenda item 8, and to Appendix 2(2) on pages 30-32 of the agenda where the Management Summary applicable to this review had been attached.

Another question was received concerning the low percentage of high priority recommendations implemented. The Head of Internal Audit explained that the remaining five high priority recommendations had been due to be implemented by March 2012 but verification work had confirmed that they were still outstanding. There had been a number of factors which had contributed to this situation and it was agreed that these would be discussed under agenda item 9. In response to a further question on the assurance levels given to individual audits during 2011/12, it was pointed out that the authority had continued to receive a number of 'good' assurances in 2011/12 which compared favourably with the previous year.

Mr Ludlow had not seen sight of the quarterly audit newsletter referred to under the Improving Service Delivery section of the report and asked if it was available. The Head of Internal Audit said that she was certain that the newsletter had been distributed. The Accountancy Manager assured Members that she would follow this up.

AC

RESOLVED that the findings of the review and the evidence gathered in support of the effectiveness of the Internal Audit Service be noted; and that these be taken into consideration when receiving the Head of Internal Audit's Annual Report and Opinion and the Council's Annual Governance Statement.

29/12 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2011/12
(AGENDA ITEM 8)

The Head of Internal Audit presented the report which had been developed to satisfy the requirements of the Accounts and Audit Regulations 2011 and to meet the Head of Internal Audit's annual reporting obligations as set out in the CIPFA Code of Practice for Internal Audit in Local Government.

Additional tables had been added at paragraph 3.3.4 of the report to make the process more transparent with regards to the identification of overall audit opinions.

The report gave opinions in three key areas – systems of internal control and corporate governance arrangements with reference to Breckland Council, and governance provisions in relation to the Anglia Revenues and benefits Partnership. Added to this, Internal Audit service provision and cost information had been documented.

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On the basis of internal audit work undertaken in 2011-12, the Head of Internal Audit's opinion was that the overall standards of internal control for the year ended 31 March 2012 were **adequate**. An **adequate** assurance was additionally given to Breckland's corporate governance arrangements, whilst a **good** assurance had been awarded to the Anglia Revenues and Benefits Partnership in respect of its governance.

The report also set issues of significance to be considered when compiling the authority's Annual Governance Statement for 2011-12. At paragraph 3.5.1 of the report, the details of five high priority recommendations (3 applying to 2011-12 audits and 2 carrying over from previous year's audits) had been reinstated in full, and acknowledged as presenting significant risks to the Council's internal control environment.

Referring to the aforementioned paragraph, and in response to a question about the outstanding work on the Asset Register, Members were informed that the Asset Register was now complete.

Lady K Fisher wanted to know the reason for BRK/12/02 Customer Services being removed from the Annual Audit Plan and asked if there had been any issues. The Head of Internal Audit explained that initial discussions with management had indicated audit work in this area would have been of limited value, as documented in Appendix 1 of the report. However, prior to developing new Audit Plans each year, consideration was given to all aspects of Council operations so it was possible that this area would be targeted for scrutiny at a later date affording a more constructive review of arrangements. The Head of Internal Audit would revisit potential requirements for such an audit in 2012-13 and liaise with the Assistant Director of Finance on this matter. Lady K Fisher hoped that this would be included as the Council considered customer services to be very important.

SK

On page 18 of the report, Mr Ludlow asked if there were any consequences to consider when high priorities had not been implemented. The Accountancy Manager pointed out that these outstanding high priority recommendations all formed part of the new Performance Plus system and would be picked up. Mrs Jolly concurred with the aforementioned point and emphasised that anything outstanding would be shown as a 'red'. She also mentioned the fact that Executive Members would be made aware of such matters at their Board meetings from now on. The Assistant Director of Democratic Services thought that such recommendations had always been flagged up and had been unaware that at some stage these matters had not been reported and would investigate. She explained that a Performance Board had been set up specifically for audit recommendations that had not been enacted.

VT

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Questions were then taken from Members in relation to the audit review of Environmental Planning and Building Control on such issues as contract monitoring and planning enforcement. Mr Stevens recognised that contract monitoring had also been a feature of the Culture and Leisure audit and queried the robustness of corporate contract monitoring arrangements generally, at which point the Head of Internal Audit advised that an audit of Procurement was scheduled to take place in August 2012, which could potentially take into account such matters as contract monitoring across the Council. The links between Breckland and South Holland Council were next subject to comment, in particular contractual arrangements across both organisations. Members were informed that Internal Audit were in dialogue with Audit Lincolnshire and a meeting had been arranged to discuss the 2012-13 Audit Plans for both organisations, with a view to identifying areas of best practice, undertaking joint audits and/or take assurance from each others work. However, it had already been recognised that there were quite a number of differences in service delivery models adopted by each Council.

SK

In response to a further question in relation to target days, the Head of Internal Audit advised that the 25 day reporting target commenced at the end of the field work. She explained how this worked.

Other questions asked related to the cost of systems and upgrades for Capita Symonds and whether the management findings related to Breckland Council or Capita Symonds. Members were informed that the nominated officers responsible for implementing agreed audit recommendations were Breckland/South Holland Officers and staff from Capita Symonds. The Head of Internal Audit pointed out that an overview of recommendations had been set out in Appendix 1 of the Status of Audit Recommendations report on page 65 of the agenda.

Member focus was then switched to the findings of the audit review of Community Development. Referring to Appendix 2(2) of the report in relation to the contract with AMS and the generated income, Members were informed that if AMS failed to generate an income there would be a penalty; this was an issue for the initial contract. Mr Stevens had noticed that there was no contract monitoring in place for this contract and asked how the summary of findings had been picked up. The Assistant Director of Commissioning was confident that the contract was being monitored in the same way as PFI and Capita. The Head of Internal Audit advised that the Procurement audit due to take place in August could undertake further work in this area. The Chairman said that he would be astonished if the contract was not being monitored and asked that this be checked. He also asked that the point in relation to penalties be picked up.

SK
RW

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In relation to the failure of the Cash Receipting system, the Accountancy Manager advised that there had been many issues when testing the new system; hence the delays. The new system would be going live on Monday, 18th June and a contingency plan would be put in place if it failed.

Mr Ludlow noticed the overpayment of housing benefit on page 42 of the report that did not seem to be being chased. The Assistant Director of Commissioning explained that the Anglia Revenues Partnership Joint Committee had indicators that were measured and monitored and therefore would be chased.

In response to a question about how often network passwords were changed, the Executive Member for Finance & Democratic Services confirmed that Members were required to change their passwords every 28 days and were prompted on the 14th day. The system did not allow the same password to be used. Further to this Members had a Citrix dongle that also generated a system code.

Mr Ludlow asked for the meaning of LALPAC. The Assistant Director of Commissioning explained that LALPAC was a market leader software package in terms of technology that dealt with licensing applications. South Holland District Council would also be using it in due course.

The Vice-Chairman referred to planning enforcement particularly in regard to documentary evidence not being retained. Members were informed that the Head of Service now met monthly to ensure that enforcement cases were moving forward. A much more rigid regime would be put in place in future although the retention of documentation needed to be picked up.

RW

Subject to all information being more open and transparent for Members, it was

RESOLVED that:

- 1) the Annual Report of the Head of Internal Audit be received and noted;
- 2) it be noted that the overall standards of internal control were **adequate** for the year ending 31 March 2012;
- 3) it be noted that an **adequate** assurance had been given in respect of Change Control and Corporate Governance arrangements for the year ending 31 March 2012;
- 4) it be noted that a **good** assurance had been given in respect of the Anglia Revenues and Benefits Partnership Governance arrangements for the year ending 31 March 2012; and
- 5) note that the opinions expressed together with other matters

arising from internal audit work contained within the report be given due consideration when developing the Council's Annual Governance Statement for 2011/12.

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30/12 END OF YEAR REVIEW OF THE CURRENT STATUS OF AGREED AUDIT RECOMMENDATIONS (AGENDA ITEM 9)

The report informed Members as to the progress made in implementing audit recommendations due at 31 March 2012.

The process used to monitor the implementation of audit recommendations had remained broadly similar to that used previously; all audit recommendations were input on the Performance Management System with periodic verification reviews by the Deloitte Internal Auditors.

Appendix 1 on page 65 of the report gave a complete overview of all outstanding recommendations and the table at paragraph 3.2.1 on page 62 of the agenda provided a snapshot of mid year and end of year positions.

Thirty outstanding recommendations remained as at 31 March 2012; however, with the introduction of the new Performance Plus System and re-instated quarterly meetings of the Performance Board, the Head of Internal Audit felt that this figure would quickly reduce in 2012-13.

Referring to Appendix 1 (3rd and 4th column headings), Mr Ludlow asked if it was normal practice to put 'completed' and 'superceded' together. Members were informed that they had always been grouped together but following a meeting with the contractor a new follow up protocol was being developed and this would be looked at.

Mr Ludlow had concerns about the outstanding actions particularly in relation to the number of revised deadlines for BRK/10/09 and asked where the Council was at with this. He also mentioned the actions which had no revised target deadlines against them. The Assistant Director of Commissioning said that he would have to report back as he was unsure of the answers. The Chairman felt that an update sheet should be appended to the report in future showing what had changed and what had been done. Mr Stevens asked if this was something that the Directors would look at. Members were informed that they would, through the Performance Plus system. The Vice-Chairman reported that the new Performance system would be available on-line for Members to check accordingly.

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SK

RESOLVED that the satisfactory progress made by the Management in implementing agreed actions throughout 2011/12 be noted.

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**31/12 DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2011/12
(AGENDA ITEM 10)**

The Accountancy Manager presented the Annual Governance Statement which sought Members' approval for it to be included with the Council's published financial accounts for 2011-12.

The Statement drew on the work of Internal and External Auditors. The Committee had already received reports from the Head of Internal Audit which had recognised the overall standards of internal control arrangements and the Change Control and Corporate Governance arrangements to be **adequate**.

The Management Team had regularly reviewed governance arrangements throughout the year, including risk management, service manager internal control assurance statements, as well as finance reports. However, the Statement did not reflect the change to Standards arrangements as it was felt to be inappropriate to include that at this stage but it would be noted for the future.

The Vice-Chairman felt that Members needed to know ahead of next year's report how the new Standards arrangements would affect the Governance structure. The Assistant Director of Democratic Services provided the Committee with an update on the new arrangements that was being presented to Full Council on 5 July 2012. These included a new Hearing Panel that the Council had already delegated to the Audit Committee at its Annual meeting. New Terms of Reference were also being worked on and would be emailed to Audit Committee Members forthwith. All changes needed to be implemented before 31 July 2012.

A number of typographical and grammatical errors were highlighted.

RESOLVED that the Annual Governance Statement be approved for inclusion in the Council's financial accounts for 2011-12.

32/12 DRAFT STATEMENT OF ACCOUNTS (AGENDA ITEM 11)

The Accountancy Manager provided Members with a detailed presentation highlighting the four key accounting stages:

- Movement in Reserve Statements – page 15
- Comprehensive Income and Expenditure Statement – page 16
- Balance Sheet – page 17 -18; and
- Cash Flow Statement – page 19

There had only been one change to the Code for 2011-12 and this related to Heritage Assets held by the Council. This had resulted in

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the re-statement of some balances and these had been detailed in Note 46 of the Accounts. In response to a question relating to the Ancient House Museum in Thetford, Members were informed that the Museum's collection would be classified as heritage; the Museum itself would not as it was an operational asset that the Council rented.

The explanatory foreword formed a large part of the start of the Statement and had not changed from the previous year.

In response to a question in relation to the Housing Benefit overpayment on page 170 of the agenda, Members were informed that the overpayment was for everything that was outstanding – some of the amounts falling due was for more than one year.

Mr Ludlow asked for the detail behind the £430k past the payment due date. He also asked whether the £135k was the same debt for two years running. The Accountancy Manager advised that she did not have the detail to hand but would get back to Mr Ludlow on these matters.

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Mr Ludlow further asked for an explanation in relation to the insurance overspends of £21k and the Administration and Miscellaneous overspend of £31k. The Accountancy Manager informed Members that the £21k insurance had been offset by additional income but the £31k would have to be looked into and she would get back to Mr Ludlow.

In response to a question in relation to changes to accounting policies for component accounting, it was noted that the said change had been picked up last year but had commenced this year. Hostels and PFI would be subject to these changes but as yet no material difference had been shown.

Subject to a number of adjustments to wording as requested, it was

RESOLVED that the draft un-audited Statement of Accounts for 2011-12 be noted.

33/12 ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2011/12 (AGENDA ITEM 12)

The Council was required, through regulations issued under the Local Government Act 2003, to produce an annual Treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2011-12.

The Council had complied with all its indicators during the year and as at 31 March 2012, the Council's external debt was Nil (the same as 2011) and its investments totalled £31.49m (£33.04m as at

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March 2011). £4.8m of the investment balance was money held on behalf of Moving Thetford Forward and £4.846m related to Icelandic balances awaiting repayment.

In response to a question in relation to Moving Thetford Forward Board monies, Members were informed that the money had been ring-fenced for the MTF Board and it would be able to use any interest generated.

RESOLVED that:

- (1) the actual 2011/12 prudential indicators within the report be noted; and
- (2) the Treasury Management stewardship report for 2011/12 at Appendix B and Appendix C of the report be noted.

34/12 WORK PROGRAMME (AGENDA ITEM 13)

The Work Programme was noted.

35/12 NEXT MEETING (AGENDA ITEM 14)

The arrangements for the next meeting on 29 June 2012 were noted.

36/12 EXCLUSION OF PRESS AND PUBLIC (AGENDA ITEM 15)

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act.

37/12 REVIEW OF CAPITA SYMONDS CONTRACT (PLANNING) (AGENDA ITEM 16)

The Assistant Director of Commissioning explained that this report provided a summary of where the Council and Capita Symonds were at with the contract.

The report focused on performance against contractual targets and savings and income generated.

The Planning and Building Control Service Manager, the Building Control Manager from Capita Symonds and Martin Hodgson from Urban Vision were in attendance.

Colour copies of the report were circulated.

The Breckland Capita partnership was continually seeking ways to move forward in challenging market conditions. The Contract Monitoring Team was reviewing performance standards for planning application determinations and service improvements, and consultation methods were also being improved.

Further papers were circulated which highlighted the Action Plan. The model shown had worked well at Salford District Council.

Referring to enforcement issues that had been picked up as a matter of concern earlier in the agenda, Members were informed that enforcement was a performance target and would be improved by inputting more information on line. It was noted that there had been improvements made to the back office systems and a much more responsive service would now be provided.

A number of questions were asked in relation to the retention of written records, S106 monies and the level of customer satisfaction. Regarding S106 monies, the Chairman felt that these should be reported quarterly. Figures for the latter question would be provided.

The Assistant Director of Commissioning advised that Capita had agreed to work with Breckland Council to improve its performance; both would have to work in consensus as the contract could not be changed.

In response to a question, Members were informed that the £2.2m were the cost savings that would be made during the length of the contract. A chart would be provided in future to inform progress.

RESOLVED that the performance of the contract between Breckland Council and Capita Symonds be noted.

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The meeting closed at 11.50 am

CHAIRMAN