



Cabinet **23 May 2012**

Report of the Performance and Audit Scrutiny Committee: 30 April 2012

At this meeting of the Committee Members also discussed the Internal Audit Charter, and a separate report appears on this Cabinet agenda.

1. Internal Audit Strategy

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006 requires the Head of Internal Audit to produce a high level Audit Strategy of how the Council's Internal Audit Service will be delivered and developed in accordance with the Audit Charter, and how it links to organisational objectives and priorities, including formulation of the Annual Audit Plan.
- 1.2 Amendments to the Internal Audit Strategy were approved by the Committee, which reflected the Internal Audit shared service arrangement between St Edmundsbury Borough Council and Forest Heath District Council.

2. Internal Audit Annual Report 2011/2012, Review of the Effectiveness of Internal Audit, and Outline Audit Plan 2012/2013

- 2.1 The Committee reviewed the work of the Internal Audit Team during 2011/2012 and approved an outline Audit Plan for 2012/2013. Information provided to Members included the role of and requirement for Internal Audit, and resources available to the Team. Work covered during 2011/2012 included areas of corporate work, as well as financial and information systems audits, involving the production of 36 internal audit reports. The Committee discussed the main findings of the audits undertaken.
- 2.2 Additionally, the Audit Manager was required to give his audit opinion to the Committee, and based on the work undertaken during the year, Internal Audit could provide reasonable assurance that the systems of internal control and risk management systems were operating adequately and effectively.
- 2.3 The outline Internal Audit Plan for 2012/2013, which was formally approved by the Committee, provided for the annual review of all the main financial systems, together with corporate governance review and support, and the audit of a number of operational areas chosen using a risk based methodology.
- 2.4 Additionally, the Council is required to conduct an annual review of the effectiveness of its internal audit, and for the findings of that review to be

considered by the relevant Committee. The Committee agreed with the review's conclusions that internal audit was effective, and that the opinion of the Internal Audit Manager could be relied upon as a key source of evidence in the Annual Governance Statement.

- 2.5 Discussions around the document included the potential for joint audits as the shared services programme progressed, dealing with outstanding debt, fraud, procurement mechanisms, money laundering, and the questionnaires sent out to service managers following audits, only 7 out of 17 had been returned this year, and the Committee asked that outstanding questionnaires be chased up in order that the Internal Audit Team could more accurately assess its performance.

3. Audit Commission Presentation of Audit Plan: Audit 2011/2012

- 3.1 Neil Harris, District Auditor, attended the meeting and presented the above report, which set out the 2011/2012 audit work which the Commission proposed to undertake for the audit of financial statements and the value of money conclusion.
- 3.2 A proposed timetable for the audit was noted by Members, as well as details of fees to be charged (a 13% reduction on 2010/2011 based on the Commission's current assessment of risk), and reports to be received by the Committee across the year. The key document being the Annual Governance Report will be brought to Members in September 2012.

4. Audit Commission Presentation of Certification of Claims and Returns: Annual Report

- 4.1 The District Auditor also presented a summary of the Commission's outcomes of its certification work on the Council's 2010/2011 claims and returns, including recommendations arising from the 2010/2011 certification work, and the fees arising from that work.
- 4.2 Mr Harris advised that it was a good report, as given the context of £74 million of returns, the errors noted had been trivial and amounted to only £1,673 following very detailed inspection, and these arose from misclassifications and incorrect assessments only.

5. External Audit Fees for 2012/2013

- 5.1 The Committee considered a report from the Chief Finance Officer which advised that, following consultation, the Audit Commission had approved the work programme and scales of audit fees for the audit of the accounts of "larger local government bodies" for 2012/2013.
- 5.2 As he was present Neil Harris, the District Auditor, updated the Committee on the future of the Audit Commission, information which was also touched on in the Chief Finance Officer's report, advising Members that the Commission had outsourced the work of its in-house audit practice, and the East of England contract had been awarded to Ernst & Young. Existing staff would transfer over, which would give continuity of auditors to the bodies served and, hopefully, a smooth transition.

- 5.3 The transition had resulted in financial savings, and the Commission was now able to pass on reductions of up to 40 per cent in audit fees, and for the Borough Council the planned audit fee would reduce from £95,760 in 2011/14 to £57,456 in 2012/2013, as always dependent on the issues raised throughout the course of the audit. The Committee noted the proposed saving of £38,304.

6. Key Performance Indicators: Fourth Quarter 2011/2012

- 6.1 The Committee considered the fourth quarterly report for 2011/2012, and year end data for 2011/2012. A total of 42 indicators were reported this quarter, a significant number of which had reached their target, and only six of which were showing as red at the end of the year.
- 6.2 Members discussed a number of the indicators, including percentage of major and minor planning applications determined within 13 and 8 weeks respectively, and were advised that the Corporate Director was planning to review the targets for these indicators following changing to a shared service. Members also discussed visitor numbers to Nowton Park, East Town Park and the Abbey Gardens, discussing with officers how the figures were counted and reported. They asked for visitor data on individual parks and venues in the next KPI report.
- 6.3 Finally the Committee discussed the summary of affordable housing delivery against target, and asked for identification of the difference between homes and households/units in future reports.

7. Biannual Corporate Complaints and Compliments Digest

- 7.1 Twice yearly the Committee receives an overview of the quantity and range of corporate complaints received over the previous half year, which the Committee uses to monitor the Council's effectiveness at responding to and learning from any mistakes which have been made. For the second half of this financial year, 25 corporate complaints had been received. In total, 48 had been received during 2011/2012, compared with 49 during 2010/2011 and 30 in 2009/2010.
- 7.2 The report also highlighted the 29 compliments that had been received during the reporting period. In total, 65 compliments were received during 2011/2012.
- 7.3 The Committee considered the digest and discussed some complaints in more detail, and was pleased to note that the quantity of compliments received remained high, and continued to out-number complaints.

8. Budget Monitoring Report: 1 April 2011 to 29 February 2012

- 8.1 The Committee received the quarterly budget monitoring report which informed Members of the Council's financial position for the period to 29 February 2012, and highlighted significant variances. Overall an underspend for the period of £445,000 was being reported, and a year end forecast of £104,000 underspend. All budget variances over £10,000 were explained in the report. Favourable variances included underspends on the budget of £749,000 and income above budget of £623,000, which was broken down in more detail for the Committee. Adverse variances included budget overspends of £641,000 and income below budget of £323,000, and again the reasons for these variances were discussed with officers.

- 8.2 The Capital Budget Monitoring report showed net expenditure of £783,000 for the period to 29 February 2012 compared to a revised full year capital budget of £3,220,000. As in previous reports, the underspend was due to slippage in the programme. The capital disposals programme showed capital receipts for the period of £551,000 against a full year disposals estimate of £2,190,000.
- 8.3 Members discussed a number of areas of the budget, and asked for a more detailed report on the year-end position of the budget for The Apex to be brought to the next meeting under the four main areas of box office, hired events, catering and building.

9. Corporate Risk Register: Quarterly Monitoring Report

- 9.1 The fourth quarterly risk register monitoring report for 2012/2013 had been prepared following review by Management Team and Corporate Management Team. One new risk had been added to the register in this quarter, risk 55: Localisation of Business Rates and Council Tax Benefits. No risks had closed.
- 9.2 Five residual risk colours had changed, and reasons for these were given in the report and discussed with Members.
- 9.3 The Committee discussed some of the risks in this quarter's report, including provision of sites for gypsy and traveller communities, and under vibrancy of Bury Town Centre advised that the car park charging review would commence in May 2012, but would not conclude until October/November 2012.

10. Annual Procurement Report 2011/2012

- 10.1 This annual report updated the Committee on progress with the Council's procurement in 2011/2012. Progress achieved during 2011/2012 included procurement savings of £454,367, which were set out separately in an appendix; implementation of an electronic tendering system; an electronic contract management system; and proactive adoption of a policy to publish any quotation or tender opportunity above £10,000 using a website known as "Contracts Finder", the many benefits of which were set out in the report.
- 10.2 Additionally, procurement was continuously supporting Sections to find collaborative working opportunities, and in particular the Borough Council Procurement was working closely with Forest Heath District Council Procurement to find areas for collaborative procurement, as well as aligning procurement policies and strategies.
- 10.3 A short discussion took place on some of the savings made, and the Committee noted that there was a strong link between savings made through procurement and the financial planning and budgeting process, with significant contributions expected from procurement activities for budget savings.

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