



Council **19 June 2012**

CHAIRMAN'S REPORT **PERFORMANCE AND AUDIT SCRUTINY COMMITTEE**

Report by Cllr John Hale
Chairman of the Performance and Audit
Scrutiny Committee

This report covers the meeting of the Committee held on 30 April 2012.

1. Internal Audit Charter

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006 requires the Council to formally define the nature, role, responsibilities and reporting lines of Internal Audit in an Internal Audit Charter consistent with the Code.
- 1.2 The Committee recommended a revised Charter for approval. Amendments to the Charter reflected the Internal Audit shared service arrangement between the Borough Council and Forest Heath District Council (FHDC), alongside a small number of other amendments to ensure the document remained accurate, and in line with good practice.

2. Internal Audit Strategy

- 2.1 The CIPFA Code of Practice mentioned above also 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.
- 2.2 Amendments to the Internal Audit Strategy were approved by the Committee, which reflected the Internal Audit shared service arrangement between the Borough Council and FHDC.

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

- 3.1 The Committee reviewed the work of the Internal Audit Team during 2011/2012 (discussing the main findings of the audits undertaken), approved an outline Audit Plan for 2012/2013 and received the Audit Manager's audit opinion, which stated that Internal Audit could provide reasonable assurance that the systems of internal control and risk management systems were operating adequately and effectively.
- 3.2 Additionally, the Committee considered the annual review of the effectiveness of internal audit, agreeing 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.

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

- 4.1 Neil Harris, District Auditor, attended the meeting and presented the above report, which set out the 2011/2012 audit work which the Audit Commission proposed to undertake for the audit of financial statements and the value of money conclusion.
- 4.2 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 to be brought to Members in September 2012.

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

- 5.1 Neil Harris, 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.
- 5.2 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.

6. External Audit Fees: 2012/2013

- 6.1 The Chief Finance Officer 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.
- 6.2 As he was present, the District Auditor updated the Committee on the future of the Audit Commission, advising Members that the Audit Commission had outsourced the work of its in-house audit practice, and the East of England contract had been awarded to Ernst & Young.
- 6.3 The transition had resulted in financial savings, and the Audit Commission was now able to pass on reductions of up to 40 per cent in audit fees. For the Borough Council the planned audit fee would reduce from £95,760 in 2011/2012 to £57,456 in 2012/2013, as always dependent on the issues raised throughout the course of the audit. The Committee was pleased to note the proposed saving of £38,304.

7. Key Performance Indicators (KPIs): Fourth Quarter 2011/2012

- 7.1 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.
- 7.2 Members discussed a number of the indicators, and asked for visitor data on individual parks and venues to be included in the next KPI report.

8. Biannual Corporate Complaints and Compliments Digest

- 8.1 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.
- 8.2 The report also highlighted the 29 compliments that had been received during the reporting period. In total, 65 compliments were received during 2011/2012, and Members were pleased to note that the quantity of compliments received remained high, and continued to out-number complaints.

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

- 9.1 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.
- 9.2 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.

10. Corporate Risk Register: Quarterly Monitoring Report

- 10.1 The fourth quarterly risk register monitoring report for 2012/2013 was discussed. 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.
- 10.2 Five residual risk colours had changed, and reasons for these were given in the report and discussed with Members.

11. Annual Procurement Report 2011/2012

- 11.1 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.
- 11.2 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 in aligning procurement policies and strategies.