

AUDIT COMMITTEE

TUESDAY, 22 SEPTEMBER 2009

PRESENT:- Councillors Michael Dickinson (Chair), Des Moffatt (Vice-Chair), Nick Martin, Eric Shaw and Peter Stoddart

Apologies for absence were received from Councillors Steve Allsopp and Mary Martin.

Councillors Peter Greenhalgh, Cabinet Member for Sustainability, Transport and Strategic Planning, and Keith Williams, Cabinet Member for Leisure & Corporate Services were also in attendance.

14. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting.

Councillor Keith Williams made a non-prejudicial declaration of interest in respect of the Committee's consideration of the Capita Contract Management (Agenda Item No. 8).

15. Public Question Time

No questions were asked under Standing Order 18.

16. Minutes

Resolved - That the minutes of the meeting held on 23 June 2009 be confirmed and signed.

17. Risk Management Status Update

The Council's Head of Performance and Risk presented a report summarising risk management activities within the Council, in relation to:

- the refresh and review of the Council's Management Strategy and the promotion of the Strategy as an element of the Council's decision making processes
- the Corporate Risk Register
- Risk Management in relation to projects
- the review of available guidance for Managers on the issue of risk management and the production of a simplified Guidance Sheet
- insurance and the number and cost of claims of the over period since 2005
- the move by SCS to arms length management organisation and its independent insurance arrangements from 1st January 2010, and the anticipated positive impact of the move on the Council's own insurance position
- the inclusion of additional risk areas within the Corporate Risk Register, including the ballot of tenants in relation to the transfer of the Council's

- housing stock
- business continuity of management and civil contingencies.

Resolved - (1) That the report and the detail of the presentation by the Head of Performance and Risk be noted.

(2) That the detail of the Corporate Risk Register be accepted and that Members be invited to advise the Head of Performance and Risk outside the meeting of any significant risk areas that they feel have been overlooked.

(3) That, in support of each function to review the Corporate Risk Register and the Council's management of risk, the Committee agreed that the individual "owners of risk" be invited to attend future meetings of the Committee to make a brief presentation and to discuss with Members the role of the particular department and how they link with the mitigation of risk.

(4) That, with reference to (3) above, the Council's Emergency Planning Officer be invited to attend the next meeting of the Committee to discuss identified risks within his area of responsibility.

(5) That copies of Risk Management Guidance Sheet for Managers be made available to Members of the Audit Committee and the Performance Advisory Group for information.

18. External Audit Report on the Statement of Accounts 2008/09

The Committee received the External Auditor's Annual Governance Report in relation to its Annual Audit of the Council's Statement of Accounts for 2008/9. Mr Peter Smith and Martin Robinson of the Audit Commission, were in attendance and presented the Report, summarising its key messages and responding to Members questions. The External Auditors also reported on the "use of resources" element of the Annual Governance Report, advising that this aspect of the review had changed quite fundamentally since last year, the basis of the assessment changing its focus from arrangements and processes to the results of actions, outcomes, and whether standards of service were improving to the benefit of local residents. The External Auditors commented that, in terms of the performance assessment in relation to use of resources, although the trend nationally was downward, Swindon had "held its own and bucked the national trend". They commended the Council on its performance, making particular reference to joint working between the Council and the PCT and the Council's approach to risk management as being the major contributory factors to their determination that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The External Auditors expressed their thanks for the high level of assistance and support provided by the Council's Deputy Head of Finance and to the Financial Services Team in conducting the 2008/9 Audit.

Resolved – (1) That this Committee welcomes the Audit Commission's issue of an unqualified audit opinion of the Council's Financial Statements, subject to the satisfactory clearance of outstanding matters.

(2) That this Committee congratulates Darren Stevens, the Council's Deputy Head of Finance, and the Financial Services team, on their hard work in producing the Statement of Accounts and the achievement of the unqualified audit opinion.

(3) That, having considered the matters raised in the report and taken note of:

- the adjustment to the Financial Statements set out in Appendix 2 to the report;
- the Value for Money conclusion and use of Resources score,

the letter of representation be approved by this Committee on behalf of the Council.

(4) That the Action Plan to respond to recommendation arising from the Annual Governance Report 2008/9, set out in Appendix 5 to that report, be accepted.

(5) That the Audited Statement of Accounts for 2008/09 be approved and signed by the Chair.

19. Internal Audit reports identifying significant risk or 'of concern' – Car Parking

The Committee received a report on the Internal Audit Review of Car Parking Procedures, finalised May 2009 when an overall risk assessment of "significant" was given. The Council's Head of Streetsmart was in attendance and presented the details of the management response to the recommendations resulting from the Internal Audit, commenting on actions that had been concluded to date, particularly in relation to the Cash Collection Contract and the client's relationship with Capita and progress in dealing with the various recommendations on a priority basis. Councillor Peter Greenhalgh was also in attendance, deputising for Councillor Fionuala Foley, the Cabinet Member with responsibility for Streetsmart, and, whilst disappointed at the findings of the original Internal Audit Review, commented that he was encouraged by the management response and progress in implementing the various recommendations of the Audit Report. Councillor Greenhalgh expressed his surprise at Capita's decision to apparently withhold data relating to their responsibility for Car Parking Income/Ticket Sales Analysis and it was agreed that this matter be further investigated and an explanation of that decision reported to a future meeting of the Audit Committee as part of the follow up review. Councillor Greenhalgh added that he would wish to see a move in future towards a cashless system. He acknowledged that there might be some resistance to this proposal but felt that in the long term this was the correct way forward. It was noted that approximately 30% of larger payments are now made by debit or credit card and that payment by card was an available option on the newer car parking ticketing machines.

Resolved – (1) That the report be noted and that the progress in implementing the recommendations arising from the initial Audit Review be welcomed.

(2) That the follow up Audit Report be submitted to this Committee in January 2010.

20. Internal Audit reports identifying significant risk or 'of concern' – CAPITA Contract Management

The Committee received the final Internal Audit Report on Capita Contract Management, finalised in September 2009 when an overall risk assessment of "of concern" was given. The Group Director, Business Transformation, was in attendance and introduced the management response to the Internal Audit recommendation and briefly outlined actions that had been taken to consolidate and prioritise the range of activities necessary to ensure that the Council's interests are protected and that Capita delivers against its contractual obligations. The Group Director commented that many of the recommendations set out in the Audit Review Report had been actioned since the publication of the initial draft of the review in April of this year and that it was his estimation that, perhaps, only 20% of the recommendations remained to be addressed to ensure the improved management

of the Contract. The Group Director responded to questions raised by Members regarding the review, including:

- the perceived difference between the partnership arrangement with Capita and a standard contractual arrangement
- the amount of service credit received from Capita under the terms of the Contract
- the balance of risk between the Council and Capita
- the level of resource afforded by the client to the monitoring of the Contract.
- governance arrangements in respect of the contract and dispute resolution
- the success of the Capita Contract in supporting the Council's transformation agenda
- the Scrutiny review and monitoring of the Capita Contract Key Performance Indicators
- the upgrading of the Council's computer operating systems and its e-mail platform

Resolved – (1) That the report be noted.

(2) That the Committee be provided with details of the level of penalty issued against Capita to date plus details of waived penalties and the reasons for those penalties being waived.

21. The Audit Commission's National Fraud Initiative

The Committee received a report advising of the Council's participation in the Audit Commission's National Fraud Initiative (NFI) and work being undertaken by Internal Audit in support of the initiative. The report also provided an update on the current position with regard to the outcome of investigations and consequent savings. The Head of Internal Audit introduced the report, providing a brief explanation of the initiative, whereby local authorities, other public bodies and some private organisations can submit various data sets that are then matched, allowing Councils to access a database detailing all the "hits" relevant to the Council following the data matching exercise, these are then prioritised and investigated as appropriate. The Committee noted that in addition to the data sets detailed in the report, the Council had also provided details of people claiming Council Tax Single Person Discount and details of the Electoral Roll in an attempt to identify where a Single Person Discount was being awarded in respect of a property in multiple occupation. The Head of Internal Audit advised that the majority of savings to date under the initiative had come from the matching of Council Tax records to the Electoral Roll, with 47 frauds being identified to date generating £48,000 of ongoing savings.

Resolved – (1) That the report be noted.

(2) That with reference to savings made through the identification of fraudulent activity in relation to claims for the Council Tax Single Person Discount, a further report be made to the Committee in January 2010 identifying the total savings following the conclusion of the matching exercise.

22. Compliance with International Auditing Standards

The Committee received a report from the External Auditors on the issue of compliance with International Standard on Auditing (UK&I) and seeking the Committee's assistance in relation to their work on the Council's Accounts for 2008/9 by providing assurances regarding members' perception of the Audit Committee's role within the Council's governance arrangements and exercise an

oversight of management processes to identify and respond to risks of fraud and possible breaches of internal control. The Chair responded on behalf of the Committee, to provide the External Auditor with the necessary assurances regarding the strategic role of the Audit Committee in ensuring that the Council's assurance framework is operating effectively, exercising oversight of management's processes and identifying and reporting the risk of fraud and possible breaches of internal control in the Council, including details of the Committee's own methods of operation and his own and other Members' availability to consider and be apprised of risk assessment, the identification of risks of fraud in the organisation, communication to employees of views on business practice and ethical behaviour, and communication to those in charge of governance regarding processes for identifying and responding to fraud.

23. Head of Internal Audit Update

The Committee received a report summarising the main issues arising from the Internal Audit reports finalised since the last meeting of the Committee, and advising on the progress against the Internal Audit Plan. The Committee also received an update on the staffing situation within internal audit.

Resolved – (1) That the report be noted

(2) That the Internal Audit Report on Payroll be submitted to the next meeting of the Committee for consideration and that the relevant officers and responsible Cabinet Member be invited to attend that meeting.

(In his capacity as a Local Education Authority appointed governor of Greendown School, Councillor Nick Martin made a non-prejudicial declaration of interest in respect of the Committee's consideration of issues relating to the School Audit Plan.)