

**To:** City Executive Board

**Date:** 31<sup>st</sup> March 2010 **Item No:**

**Report of:** Chair of the Audit and Governance Committee

**Title of Report:** Report of the Audit and Governance Committee

### Summary and Recommendations

**Purpose of report:** To make the Executive Board aware of the current work of the Audit and Governance Committee and to summarise progress being made on key elements of its remit, including preparations for the closure of 2009/10 accounts.

**Key decision:** No

**Executive lead member:** Councillor Bob Price

**Report approved by:**

**Finance:** Sarah Fogden, Head of Finance

**Legal:** Jeremy Thomas, Head of Law and Governance

**Policy Framework:**

**Recommendation(s):** The City Executive Board is asked to note this report, give feedback on its content and agree that a further report is made to the Board in July.

### **Introduction**

1. The Audit and Governance Committee formally reports to the City Council. However it is important that the Executive Board is aware of its work, and receives assurances as necessary about the progress it is making on key elements of its remit. This is particularly so at the present time, given the preparations now being made for the closure of the 2009/10 accounts and the work of our internal and external auditors.

2. I have therefore agreed with the Committee, and with the Leader, that a periodic report is to be made to the Executive Board on the Committee's work and the main issues arising.
3. This report summarises the business of the Committee at its 26 January and 23 March meetings. All the reports to these meetings are available on the intranet.

### **Reports from Internal Auditors**

4. Following the qualification of the City Council's 2008/09 accounts and the review work undertaken by the Interim Executive Director of Finance, the Council's internal auditors were asked to carry out a high level overview of the level of risk associated with the Council's key financial systems, income and expenditure streams and devolved departments.
5. The outcomes of this "heat map" work were presented to the Committee in January and as a result, we agreed that the current year's internal audit plan would be increased and the balance of work refocused. The content of the programme for "fundamental assurance - core systems reviews" was increased from 90 to 147 days and additional time for quality assurance was built in.
6. Reports have now been presented to the Committee on work from this revised programme, and further work is in hand for report to us at the end of April.
7. The reports considered by the Committee in January and March were as follows. It is perhaps worth highlighting that the 2 high risk recommendations in relation to the debtors report both related to City Works. The control weaknesses which informed those recommendations related to limited segregation of duties and the timely raising of invoices. The Committee noted that significant improvements were required within City Works regardless of the outcome of the fundamental service review presently ongoing.

<i>Assignment</i>	<i>Critical risk recs</i>	<i>High risk recs</i>	<i>Medium risk recs</i>	<i>Low risk recs</i>	<i>Overall assurance rating</i>
<b>January</b>					
Treasury			5	1	Moderate
Anti fraud			2	5	High
General ledger		5	7	3	Limited
Procurement			3	2	Moderate
Collection fund		2	9		Moderate
Housing benefits				3	High

<b>March</b>					
Car parking			2	3	Moderate
Debtors		2	9	4	Limited
Leisure contract			2	1	Moderate
Housing rents			3	2	High
Performance measurement		2	6	4	Moderate
Housing benefits				3	High
Trial close-down					N/A
Governance					N/A
Payroll					

8. Reports on the internal auditor's work on City Works, business continuity and VAT are to be considered by the Committee in April.
9. We have agreed to receive reports at future meetings enabling us to monitor progress against all the recommendations from internal and external audit reports.
10. The Committee also considered the results of a governance survey of Members and Officers conducted by the internal auditors and noted that whilst the results were good there were points raised within the survey which needed to be taken into account in relation to new Member induction and Member development generally.

### **Planning for Accounts Closure 2009/10**

11. The Committee has received progress reports both at its plenary meetings and at Sub Group meetings.
12. The Interim Executive Director of Finance has set up an Accounts Closure Board meeting three weekly, and at which a consultant from Price Waterhouse Cooper also attends to give added assurance and challenge. To date, that Board has met 4 times.
13. From all the information given to the Committee our view of the preparations being made for the forthcoming closure of accounts and external processes is:
  - (a) Work planning is much improved over previous years
  - (b) There is a stronger awareness across the whole organisation of the importance of and priority needed to be given to closure work
  - (c) A new process to go through closure processes at the end of November has been successful in showing progress being made and raising issues still to be tackled

- (d) There has been good progress in resolving issues raised in previous years' audits. For example, fixed asset reconciliations, quality of working papers, standard procedures, car park income
  - (e) However much remains to be done. The audit of City Works (still in progress) has raised concerns about internal control procedures, other elements of internal control (for example system reconciliations, and payroll controls ahead of the introduction of a new system) are still being tightened up
14. The council's external auditors are now beginning assurance work on core systems and this will show how successful the organisation has been in its preparations for audit and in generally improving internal controls.
15. The formal Statement of Accounts will be presented to the Committee at the end of June, following which the formal year end audit commences. Much has still to be done between now and then.

#### **Reports from External Auditors**

16. Reports from the Council's external auditors have been as follows:
- (a) January
    - (i) Annual audit letter
    - (ii) Progress report
  - (b) March
    - (i) Audit opinion memorandum
    - (ii) Opinion plan for 2009/10
    - (iii) Fee 2010/11
    - (iv) Certification of claims and returns - annual report: grant claims for Housing and council tax benefit, and HRA base data were qualified Progress report

#### **Other matters discussed**

17. In addition to all the above, the Committee has received reports on Allegations of Internal Fraud, Investigations and Outcomes (exempt items), an update on the National Fraud Initiative, Corporate and Service Risk Registers (3<sup>rd</sup> quarter) and the new Risk Management Strategy.

## **Conclusions**

18. Despite all the work summarised above, and the good progress being made, there is still much to do to ensure all systems of internal control are as effective as possible and to achieve a clean audit outcome for 2009/10.
19. I would welcome feedback on this report and suggest a further report is made to the Executive Board in July, covering the work of the Committee's April and June meetings.
20. Finally, CEB members can contact me direct should they want further clarification on anything in this report, especially anything related to their portfolio area.

## **Recommendation**

21. The City Executive Board is asked to note this report, give feedback on its content and agree that a further report is made to the Board in July.

Cllr Beverley Hazell  
Chair, Audit and Governance Committee

**Name and contact details of author: Nigel Pursey, Interim Executive Director of Finance**

**List of background papers: Agenda and reports to the Audit and Governance Committee's meetings of 26 January 2010 and 23 March 2010**

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