

ANNUAL REPORT OF THE AUDIT COMMITTEE – AUDIT COMMITTEE 2009/10

Chair: Councillor Brian White

1. Introduction

- 1.1 The purpose of the Annual Report of the Audit Committee is to advise the Council of the performance of the Committee during 2009/10.
- 1.2 The present Committee is comprised of the following Members: Councillors White (Chair), Dransfield (Vice-Chair), Burke (Vice-Chair), Bint, Gerella, Tunney and Williams. The Independent Members are Mr Chris Fogden (also Chair of the Standards Committee) and Mr Andrew Peck.

2. Review of Meetings:

- 2.1 The Committee has met 6 times during the year.
- 2.2 The Committee considered and made recommendations on a number of key issues throughout the year. The main issues considered were:
 - Audit Commission's Annual Audit Letter and the recommendations made within the report.
 - The Council's Whistleblowing Policy and the Council's need to recognise its importance.
 - Management of Budgets
 - Key Internal investigations ,in particular, partnership working with Mouchel and the closure of Sir Frank Markham School
 - Statement of Accounts

3.0 Annual Governance Letter

- 3.1 The Annual Governance Letter highlighted areas where the Council needed to improve. The Audit Commission had concluded that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources, except in the areas which were assessed as having weaknesses in the arrangements for:
 - Planning finances effectively to delivery strategic priorities and secure financial health
 - Reliable financial reporting that met the needs of internal users, stakeholders and local people

- The promotion and demonstration of the principles and values of good governance
- Meeting the requirements of International Financial Reporting Standards (IFRS)

3.2 The overall assessment of arrangements for the use of resources was that the Council had performed adequately in 2008/2009 but that further work was required to improve financial planning and reporting, accounts preparation, understanding the costs and achieving efficiencies and using performance management to promote the delivery of value for money.

3.3 The Committee will continue to monitor and make recommendations to improve those areas highlighted by the Audit Commission as areas of weakness.

4.0 **Whistleblowing Policy**

4.1 There is a need for the Council to recognise the importance of the Whistleblowing Policy. People who report wrongdoing in good faith under the policy need to know that they will be afforded protection from harassment and victimization.

4.2 The number of whistleblowing referrals is increasing and this requires an assurance that the Council is doing everything possible to minimise fraud and abuse. The Committee suggested that the policy be well publicised and that staff and contractors should be confident that the Council as well as the law would protect them.

5.0 **Budget Management**

5.1 The Committee recognised the need for budget managers to fully understand their budgets, their objectives, the process and how to monitor their budgets throughout the whole of the year. Financial planning and reporting was highlighted as a weakness by the Audit Commission and the Committee felt this indicated a training need for the Authority.

6.0 **Key Internal Audit Investigations**

In 2009/2010, the Audit Committee considered some key internal audit investigations, the main issues relating to the Council's partnership with Mouchel and the closure of Sir Frank Markham School.

6.1 Partnership Working with Mouchel

The Audit Committee had received two reports on aspect of the Council's partnership with Mouchel. These reports were the Price Waterhouse Cooper 'Value for Money' study of the Partnership and an Internal Audit Report on the management and governance of the partnership. The reports highlighted a number of weaknesses in either the operation of the partnership or the way the Council was managing its side of the partnership.

The Committee expressed its concern about the current fitness of purpose of the contract and the operation of the client side. It requested the Cabinet to bring a report to the Audit Committee on action being taken to implement the recommendations and future operation of the MKC/Mouchel contract.

The Committee will continue to monitor the contract.

6.2 Closure of Sir Frank Markham School

The Audit Committee expressed concern about the lack of effective project management of the closure of the school. A report had highlighted some 'unusual' expenditure that could not readily be accounted for and the purchase and subsequent disposal of a number of items of equipment. A report in December 2009 indicated that further investigations had already identified the theft of approximately 90 laptops and the matter had immediately been referred to the police.

The Committee has requested that a Children and Young People's Services Directorate report should come back to the Committee on the key lessons learned and how these lessons can apply to all projects across the Council.

The Committee further requested the Cabinet to acquire an understanding of how to put in place the appropriate procedure for dealing with any future school closures, and suggested areas to be considered should be the speed of developing manuals and school governor training on their responsibilities in the event of school closure. The Committee emphasised the need for schools to maintain an accurate asset register as soon as any future school closure was announced.

7.0 Statement of Accounts

The Audit Committee resolved that the Council needed to continue to focus its efforts in improving its arrangements for fixed assets in the financial statements, particularly given the imminent implementation of the International Financial Reporting Standards. It also resolved that the compilation of the cash flow statement should be reviewed to ensure that it was compliant with the Statement of Recommended Practice (SORP).

The Committee approved the audited Statement of Accounts for 2008/2009.

8.0 Progress and Improvement

- 8.1 The Audit Committee recognises the challenges faced by the Council and the good progress in responding to past criticism, particularly around leadership and understanding risk. However, the Committee does continue to question whether progress and change is sufficiently fast enough in all areas.