



Minutes of the meeting of the AUDIT COMMITTEE held on WEDNESDAY 2 SEPTEMBER 2009 at 7.30 pm

Present: Councillor White (Chair)
Councillors Bint, Burke, Dransfield, Gerella, Tunney and Williams.

Mr C Fogden and Mr A Peck (Independent Member)

Officers: D Hill (Chief Executive), T Hannam (Corporate Director, Finance and Risk Management), P McCourt (Head of Legal Services and Monitoring Officer), J Moffoot (Head of Democratic Services), M Hodgson (Head of Operational Finance), L Baker (Audit Manager), P Strangward (Audit Manager), P Robinson (Policy Manager), T Butterwick (Corporate Partnerships Officer), J Pettit (Insurance Risk Manager), P Benn (Risk Management Officer) and L Sung (Senior Committee Manager).

Also Present: Councillors Sandra Clarke, Crooks, A Geary and Miles.
M West and C Ryan (Audit Commission).

AC15 MINUTES

RESOLVED -

That the Minutes of the meeting of the Audit Committee held on 24 June 2009 be approved and signed by the Chair as a correct record.

AC16 DECLARATIONS OF INTEREST

1. Mr A Peck declared a personal interest in Item 8 (Budget Monitoring Report - To End of May 2009 (Period 2)) as he was a member of Milton Keynes Partnership (MKP).
2. Mr A Peck declared a personal interest in Item 11 (Partnership Governance Review) as he was a member of the Local Strategic Partnership (LSP) and Milton Keynes Economic and Learning Partnership (MKELP).
3. Councillor White declared a general personal interest as he was the Chair of the United Sustainable Energy Agency which administers the Council's Carbon Offset Fund.

AC17 RISK MANAGEMENT 2008 – 2009 ANNUAL REPORT AND 2009 – 2010 UPDATE

The Committee considered a report on the application of Risk Management throughout the Council for 2008/2009 and 2009/2010 to date.

A new Risk and Business Continuity Policy had been drafted to demonstrate why effective risk management was required in everything the Council did within a process that did not divert services from the focus of delivering high quality and well managed services.

The Corporate Leadership Team was addressing the strategic risk and the shortfalls in Risk Management throughout the Council.

RESOLVED –

That the Corporate Leadership Team be advised of the importance of implementing the recommendations set out in the report and that the results be reported regularly to the Committee.

AC18 INTERNAL AUDIT REPORT – 1ST QUARTER 2009/2010

The Committee considered the key issues arising from the work undertaken by Internal Audit to 31 July 2009. These included:

- Crematorium New Build
- Corporate Fraud (Including Benefit Fraud)
- Sir Frank Markham Closure
- Community Safety Partnership

The Audit Manager reported that to date 27 general audits (25 planned and 2 investigatory/consultancy audits), 12 school audits and 9 Financial Management Standard in Schools (FMSIS) assessments had been completed. In total 82% of recommendations followed up in this period had been implemented, 89% targeted to schools have been implemented and 94% of recommendations raised for general audits had been implemented. The essential recommendations not implemented were:

- Corporate Governance – 10
- Highways Services – 3
- Benefits Overpayments - 1
- ICS System for Child Protection – 1

An action plan had been drawn up to implement these recommendations.

The Audit Manager reported on the results of the Benchmarking Club which was administered by CIPFA, an annual exercise which compared key data across a large number of authorities. The

Council's comparison data was favourable, with the exception of overhead costs which were 73% higher than the average of other authorities.

RESOLVED –

1. That the Corporate Leadership Team consider the issues relating to Corporate Governance and that the Action Plan be brought to their attention.
2. That the Corporate Director (Finance and Risk Management) be requested to address the issue of higher than average overhead costs and report back to the next meeting of the Committee on the reasons, particularly within the Audit Section.

AC19

CLOSURE OF SIR FRANK MARKHAM SCHOOL

The Committee considered the closure process of Sir Frank Markham School.

The Auditor reported that the closure of the school had not been well managed. There had been a lack of foresight and forward planning where the sale of assets had been open to abuse although there had been no evidence of abuse actually taking place.

The Committee considered the Management Action Plan which sets out the findings and recommendations from the Audit.

Members were concerned about a number of issues in respect of the closure and commented as follows:

- school closure processes should be reviewed
- the findings and recommendations as set out in the Management Action Plan should be monitored by the Audit Committee
- the effect of the School's deficit on other schools in the area
- a full investigation should be undertaken in respect of the selling of assets
- that an asset register should be kept for all future closure projects
- there had been disregard of good practice and Member concerns during the closure process
- decisions had not been taken in accordance with appropriate delegation and Financial Regulations
- a project manager should have been appointed to oversee the closure of the school and it would be essential for any future closure project.

- the handling of the closure identified corporate risk and the importance of risk management
- there was a need to ensure that certain values and behaviours were implemented and embedded in the council's culture.

RESOLVED –

1. That the recommendations as set out in the Management Action Plan be noted and that feedback on progress of implementation be considered at the meeting of the Audit Committee in December.
2. That the Children and Young People's Directorate Management Team report to the Audit Committee in December on progress on the investigation into aspects of the Additional Memorandum.
3. That Officers be instructed to take appropriate action immediately should the investigation uncover any hint of wrong-doing.
4. That a plan be developed to project manage any future school closures.
5. That a report be brought to the December Audit Committee meeting on the reasons for Learning & Development Finance failing to identify the types of purchases made towards the closure of the School.
6. That the Committee be kept informed of progress and that the Chair be authorised to call a special meeting if necessary.
7. That the Corporate Leadership Team be advised of the need to implement change in the project management culture as quickly as possible.
8. That the Corporate Leadership Team's assurance be sought that the messages from the lessons learned will be disseminated throughout the organisation as quickly as possible.
9. That the Overview and Scrutiny Management Committee be requested to consider whether the corporate governance and project management issues warrant further review.

AC20

**BUDGET MONITORING REPORT – TO END OF MAY 2009
(PERIOD 2)**

The Committee considered the risks affecting the revenue outturn position for the General Fund, Housing Revenue Account (HRA) and the Collection Fund as at the end of May 2009.

The Committee requested that future financial information should contain details relevant to an accounting period six weeks or less prior to the date of the Committee.

RESOLVED –

1. That the identified risks of concern be noted.
2. That the Section 151 Officer's comments on efficiency targets and significant risks be noted and that the Committee be made aware of their potential impacts.
3. That the risks identified be monitored closely by Directorate Management Teams (DMTs) on a monthly basis, with particular focus upon their potential effect on projected outturns.
4. That the Corporate Director (Finance & Risk Management) recognises the need for more timely reports in the future.

AC21

ANALYSIS OF REVENUE BUDGET MONITORING 2008/2009

The Committee considered the 2008/2009 Revenue Budget Monitoring reports provided during the year which addressed the outstanding action regarding savings, efficiencies and forecast/outturn variances.

The Corporate Director (Finance & Risk Management) made reference to the Audit Commission's review of financial management that considered Council's usable and revenue reserves as a percentage of general revenue expenditure compared with unitary councils with a Housing Revenue Account. Milton Keynes Council had the second lowest percentage as at 31 March 2008 and whilst accepting the limits of such comparisons, the Audit Commission indicated that this could be a reason for the Council to examine its reserves and, if they were adequate, their purposes in the future.

The Committee acknowledged that there had been significant swings in the forecasts during the year, the largest taking place at the outturn report stage. The outturn had reported an overspend of £2m (a significant change from the period 11 forecast of £3.5m underspend) resulting from the charging of £3.6m in respect of the Radcliffe School to revenue, and a further overspend in respect of Architecture MK as the full close down costs were finalised. The failure to achieve efficiency savings targets from procurement and workforce savings impacted on the outturn position reducing the General Fund actual balances at the year end to £7.7m.

The Corporate Director (Finance and Risk Management) gave the Committee his assurance that for 2010/2011 budgets would be assigned to Officers/Directorates with no acceptance of savings unless there was a clear project plan presented on how the savings could be achieved.

RESOLVED –

That the report and lessons learned in respect of non-delivery of efficiencies be noted.

AC22

ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Legal Services reported on the proposed arrangements for the collection and analysis of progress information against the Annual Governance Statement. He reported that he now had the responsibility of:

- Monitoring the Annual Governance Statement Action Plan
- Drafting the Annual Governance Statement for the next year; and
- Ensuring that the Code of Corporate Governance for the Council appropriately reflected the governance arrangements of Milton Keynes Council and was communicated effectively to both officers and Members.

The Committee received the project plan outlining the steps that need to be taken to achieve all three of these tasks and the interdependencies between them.

RESOLVED –

That the arrangements for the collection and reporting of progress information against the Annual Governance Statement Action Plan be agreed.

AC23

PARTNERSHIP GOVERNANCE

The Committee considered a review of governance of the Council's partnerships which was scheduled for completion by March 2010.

RESOLVED –

1. That the Project Plan for the review of Partnership Governance be noted.
2. That a further report on the progress against the Project Plan be considered by the Committee early in 2010, including the number of partnerships and an activity-based partnership plan.

AC24

INVESTIGATIVE ASSURANCE

The Committee considered how it could derive the appropriate assurances from the systems of internal control, specifically when investigations and review work highlight potentially serious failings.

The Committee made the following comments:

- The need for external investigation of internal management should be taken into account as part of risk assessments

- Internal controls should be reviewed to limit the scope for human error.
- Internal Audit should make clear the parameters of any audit undertaken and the levels of assurances given.

The Committee suggested that a definition of 'misdemeanour' should be included in the document with a clear definition of issues that could be investigated.

The Committee made reference to paragraph 2.4 of the Annex and suggested that the wording be changed to the following:

"It is neither appropriate nor practical to brief Members on such cases, except where there are ward or strategic issues to be considered."

RESOLVED –

1. That the report be noted.
2. That Officers undertake a review of the Council's internal control processes to develop a clear action plan for improvement.
3. That as part of the review, Officers take on board the comments of the Audit Committee.

AC25

WHISTLEBLOWING POLICY PROTECTION

The Committee considered how they could derive the appropriate assurance from the Council's Whistleblowing Policy.

RESOLVED –

1. That the report be noted.
2. That, in the view of the Audit Committee, incentives should not be offered to whistleblowers, although consideration should be given in respect of compensation for third parties and that this should be clarified within the document.

AC26

BUSINESS CONTINUITY

The Committee received a report on the strengths and weaknesses of the Council's preparedness and response in the light of the lessons learned from the snow difficulties and the preparedness in respect of swine and seasonal flu.

The Committee recognised that given the unprecedented circumstances, services coped well. The only major exception to this was the 'Meals on Wheels' Service which failed for 2 days.

The problems faced during the incident highlighted issues around how suppliers and critical services may continue through a crisis and how the Council informs the public that services are to be continued.

RESOLVED –

That the report be noted.

AC27

EXTERNAL AUDIT PROGRESS REPORT

The Audit Committee considered a report from the Audit Commission in respect of the progress of the 2008/2009 Audit and the 2009/2010 audit fee letter.

The Audit Report highlighted the following issues:

- To issue an opinion on the Council's financial statements
- To issue a conclusion on whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money conclusion)
- CAA use of resources
- Review the Council's consolidation pack
- National Fraud Initiative
- Certify the Council's Certification of grant claims and returns.

The Annual Audit fee for 2009-2010 had been based on a risk-based approach and the work mandated by the Audit Commission for 2009/2010. The fee reflected the audit element of the Commission's work, excluding inspection and assessment fees.

The total indicative fee for the audit for 2009/2010 was £435,000.

RESOLVED –

That the report be noted.

THE CHAIR CLOSED THE MEETING AT 11.10 PM