

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

At a meeting of the Audit Panel held on
Wednesday, 15 March 2006

PRESENT:	Councillor MP Howell	
Councillors:	RF Bryant NN Cathcart DC McCraith Mrs GJ Smith	
Officers:	John Ballantyne Steve Hampson Greg Harlock Minesh Jani Paul Swift	Chief Executive Housing and Environmental Services Director Finance and Resources Director Internal Auditor Policy and Performance Review Manager
External Audit:	John Golding Paul Winrow	External Audit External Audit

Councillors RT Summerfield, SGM Kindersley and Mrs DP Roberts were in attendance, by invitation.

1. APOLOGIES

None were received.

2. DECLARATION OF INTERESTS

None.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 17th October were agreed as a correct record.

John Golding stated that he would liaise with the Finance and Resources Director regarding the audit strategy for 2006/07 and External Audit's charges for the forthcoming year would form part of the discussion.

Minesh Jani explained that the ICT Audit was not in this year's plan and would be carried out next year.

4. INTERNAL AUDIT: QUARTERLY REPORT OCTOBER TO DECEMBER 2005

Minesh Jani presented this quarterly report for October to December 2005. He explained that there had been six reports, all of limited assurance and two of the Performance Indicators for the service internal audit provide to the Council were not meeting their targets.

Performance Indicator: % of FTE Staff Fully CCAB Qualified

It was understood that the percentage of FTE staff fully CCAB qualified target of 35%, which at the end of the third quarter was on 34%, would be at least 35% by the end of the year as more qualified staff were being used to complete a greater proportion of the internal audit plan in this year's final quarter.

Performance Indicator: % of Responses to the Draft Report on Time

It was noted that the target of 15 days for responding to draft reports would be missed if offices had more urgent work to attend to. Minesh Jani added that although the target was 95%, actual performance had never been much above 40%. It was suggested that the target needed to be altered.

Stock Control

Minesh Jani explained that a limited assurance had been given for DLO stock control because of limited control regarding access to the stock and concerns over the accuracy of the relevant records. Concern was expressed regarding this limited assurance and the damage any discrepancies could do to the Council's reputation. The Finance and Resources Director announced that the value of the stock as at March 2005 was £37,000 and this included diesel. In previous years the stock had been worth over £160,000. The Panel understood that Stock Control would become the responsibility of an external organisation and it was agreed that any new controls that were introduced should be cost effective.

Orchard System

Minesh Jani explained that out of the five planned maintenance commitments checked on the Orchard System, only one was accurate. This had led to a limited assurance.

It was understood that the Head of Shire Homes and the Principal Project Manager had left the Council in mid-2005 and this affected the work of the DLO during this quarter. However, the Housing Asset and Investment Manager had succeeded in improving the service since then.

The Director of Housing and Environmental Services explained that concerns raised by Internal Audit that were below Priority 1 would be referred to his officers. He agreed to e-mail the Councillors present with details of the response given by officers to the priority 1 recommendations made by Internal Audit regarding the Orchard System and the management of the reduction of the responsive repairs budget.

Minesh Jani explained that Internal Audit had met with Directors to discuss the 1st Development Plan. Recommendations had been made regarding stock control and the Orchard System. The resulting report had been finalised and would indicate whether the recommendations had been accepted to Internal Audit's satisfaction.

Councillor Kindersley commented that while Directors should respond to high category risks, lower risks should be delegated.

Budget Working Papers

Concern was expressed that the budget working papers used by the Head of Shire Homes and the Principal Project Manager, who had since left the Council, could not be presented to Internal Audit when requested. The Director of Housing and Environmental Services regretted that the paperwork had not been available at the time but he assured the Panel this did not mean that all copies of the document had been destroyed. The Panel understood that the information held in budget working papers was often sparse, but it was agreed that this documentation should be readily available for inspection. Councillor RT Summerfield stated that there was always a risk of working papers going missing when staff left the Council.

Internal Auditor Sickness

The Finance and Resources Director expressed his disappointment at the apparent absence of a contingency plan when two audits remained uncompleted when an internal

auditor was on sick leave. Minesh Jani explained that the unexpected sickness of an internal auditor had delayed the completion of these audits, as it had been unclear when the officer would be able to return to work, which presented a dilemma over whether to restart the audit with a new officer or wait until the original officer was able to complete his work. He was happy to report that the audits had now been completed and reports would be issued shortly.

General Ledger

The Finance and Resources Director explained that carrying out reconciliations to the General Ledger had to take their turn in an ever changing list of priorities. Although the prompt completion of reconciliations was important, other more urgent items sometimes took precedence. In response to questioning, the Finance and Resources Director explained the reconciliations under discussion did not involve agreeing cash received to the individual accounting system, which would be awarded a much higher priority, but involved reconciling individual systems to the Financial Management System (FMS).

Managing Risk

John Golding from External Audit explained that following capping an increase in the number of limited assurances was inevitable. The task facing the Council was to manage the risk to avoid any major problems. It was noted that the number of recommendations from Internal Audit had increased for the year 2005/06, but the Panel would be able to discuss the true situation at its next meeting where the final figures for 2005/06 would be available.

5. EXTERNAL AUDIT: USES OF RESOURCES JUDGEMENTS 2005/06

John Golding explained that the Use of Resources Judgements 2005/06 document was a draft summary of the full report.

Paul Winrow explained that on a scale of 1-4, with 1 being inadequate and 4 being innovative practice, the Council had achieved a score of 2 for the 2005/06 judgements, which represents an assessment of performing adequately on the Audit Commission's scoring system. It was understood that the Council had achieved a 3 for Financial Reporting and a 2 for Financial Management, Financial Standing, Internal Control and Value for Money. John Golding explained that the 2006/07 assessment was expected to be a harder test, which would have a longer list of items that Councils "must have" to achieve an adequate rating. The 2006/07 score will inform the Council's Comprehensive Performance Assessment (CPA) score.

Councillor Summerfield and Councillor Kindersley congratulated the Finance and Resources Director and his staff for achieving an overall score of 2 and ensuring that there were no areas where the Council failed to achieve Level 2, or an adequate performance. The Chief Executive stated that the aim should be to strive and maintain this level of performance for 2006/07, as the Council could not afford to allocate resources into achieving Level 3 or higher.

John Golding stated that the figures for all District Councils would become available in May and it was expected that the Council's achievement would compare favourably with other District authorities.

The Finance and Resources Director explained that details of the self assessment would go to the next Resources and Staffing portfolio holder meeting, with a view to the portfolio holder and Leader, in the light of available resources, making known their view as to how aggressively officers should pursue achieving a higher assessment rating for 2006/07.

6. MATTERS OF TOPICAL INTEREST

Annual Audit Letter

The Finance and Resources Director explained that the Council had not yet seen the Annual Audit Letter in respect of the 2004/05 financial year. Paul Winrow announced that a draft version should be available by the end of the week and that it would be included in the next agenda for Audit Panel.

Accusation of Financial Mismanagement

In response to a question on how to reply to allegations of financial mismanagement, John Golding explained that an individual elector has the right to ask the External Auditors to investigate an alleged irregularity in the accounts. Alternatively the Council could instruct the External Auditors to carry out an investigation, which could then be passed to any residents who had expressed concerns.

Transformation Project

It was suggested that the Panel needed to consider how the implementation of the Transformation Project would affect the Panel's working arrangements.

7. DATE OF NEXT MEETING

It was understood that the following items would need to be discussed by the Panel in the next few months:

- Annual Audit Letter 2004/05
- Direction of Travel Statement
- Audit Plan 2006/07.

It was agreed that the responsibility for calling the next meeting should be delegated to the Finance and Resources Director.

The Meeting ended at 4.25 p.m.
