

## AUDIT COMMITTEE

A meeting of the Audit Committee was held on 25 September 2008.

**PRESENT:** Councillor Clark (Chair), Councillors C Hobson and J Walker (as substitute for Councillor Majid).

**OFFICIALS:** B Baldam, J Bennington, S Harker and D Robinson.

**\*\*APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Majid and Taylor.

**\*\* PRESENT BY INVITATION:** Councillor N J Walker.

### **\*\* DECLARATIONS OF INTEREST**

No Declarations of Interest were made at this point of the meeting.

### **\*\* MINUTES**

The minutes of the meeting of the Audit Committee held on 25 June 2008 were taken as read and approved as a correct record.

## **VALUE FOR MONEY STRATEGY**

The Deputy Director of Resources presented a report regarding the Value for Money Strategy for the Committee's consideration. A copy of the Value for Money Strategy had been circulated to the Committee in advance of the meeting.

In the Use of Resources Assessment carried out annually by the Audit Commission, Middlesbrough Council achieved a score of 3 for the value for money element. Feedback from this assessment recognised the Council as one of the top performers in the country comparing savings against budget. Savings made during the Spending Review 2004 period were detailed in the report.

The baseline target for the Spending Review 2004 period for efficiency gains, both cashable and non-cashable, to be made by the Council was £10.4 million, which was 7.5% of the baseline expenditure of £138.8 million. The Council had exceeded this target by £8.3 million and achieved total efficiency gains of £18.7 million, which was 13.5% of the baseline expenditure.

Although savings well above the target had been achieved, the Audit Commission had identified that to improve further, departments needed to have a clearer understanding of the Gershon programme to help identify and target opportunity for efficiency savings. In light of the information provided and the recent outcomes of the Comprehensive Spending Review 2007, the Value for Money Strategy was intended as a guide for employees on how to achieve value for money. The Strategy highlighted the importance of efficiency savings in terms of meeting both the national targets (which from 2008/2009 at 3% were all cashable) and savings targets in the Council's Medium Term Financial Plan.

The Strategy was designed to outline how the Council would rise to these challenges whilst continuing to provide effective services for local residents. It would be integrated into existing performance management frameworks and corporate strategies including the Medium Term Financial Plan and the Strategic Plan.

In order to fulfil the objectives of the Strategy and promote a culture of value for money across the Council, training would be implemented over the coming months. Training would be available for Heads of Service and budget holders and include practical workshop type exercises focusing on how to improve efficiency across the Council.

The Strategy was key to achieving the national efficiency targets set by Central Government and would assist in embedding a value for money culture across the Council. A copy of the Strategy had been sent to all services and a dedicated Value for Money Team had been established.

The Value for Money Team consisted of the Assistant Director of Finance and two full-time Value for Money Analysts. The remit of the team was to support services in carrying out service reviews as identified in the Council's change Programme, assist the Council in maintaining its strong value for money culture and facilitate training, develop the use of benchmarking and comparator indicators and report against the new national indicator target. Service reviews were monitored on a monthly basis and areas requiring additional resources or expertise were identified.

**AGREED** that the contents of the report be noted.

## **AUDIT PLAN 2008/2009 PROGRESS REPORT**

The Audit Manager presented a report outlining the work completed by the Internal Audit Service during the period ending 31 August 2008.

Internal Audit, along with other assurance process of the Council, had a statutory obligation under the Accounts and Audit (Amendment) (England) Regulations 2006 to provide assurance from the work they undertook in respect of the internal control systems operating within the Council.

The submitted report summarised Internal Audit Reports issued during the period which had been agreed with the appropriate managers.

The Internal Audit Plan for 2008/2009 had been approved by the Audit Committee on 18 March 2008. Details of performance against the Plan were given in the report. The actual number of audit days delivered was 95% of the planned total. The shortfall was due to high levels of sickness within the period totalling seventy six days and including two long term absences. During the first five months of the financial year seventy one planned audits were either delivered or in progress. Eleven audits brought forward from the financial year 2007/2008 were completed leaving twelve audits to finalise.

Progress on completing audits brought forward from the financial year 2006/2007 was detailed at Appendix A of the submitted report. Work was progressing on two audits – Capital and Main Accounting Systems. Both audits had been delayed as the auditor was re-assigned to deliver audits from the current year's plan that had to be delivered to tight timescales. Of the eleven completed audits brought forward from the previous financial year, only two: Middlesbrough Theatre and the Town Hall, received an audit opinion below substantial assurance. Managers had made significant improvements in the control environments at both locations since the last audit, however further work was needed to ensure that control forms were completed in full. Draft reports for the remaining ten audits brought forward from the previous financial year were under discussion with managers.

Details of audits completed or in progress for the financial year 2007/2008 were shown at Appendix B to the submitted report. Accounts had been prepared and audited for all but one of the twenty five Community Councils supported by the Council. The Management Committees' accounts for two out of four Community Centres and four out of nine Youth and Community Centres had also been audited. Outstanding audits would be completed during the third quarter. The audit of the accounts of the Partnerschaft Association had also been completed on behalf of the Director of Resources in his capacity as Honorary Auditor.

Thirteen audits completed to date had received audit opinions of substantial assurance or better. A further seven draft reports had been issued to service managers for discussion to confirm factual accuracy, agree content and confirm management actions. Twelve audits were in progress and would be completed in the third quarter.

Following agreement with the external auditor, all schools operating their own bank accounts were contacted to confirm that they had carried out bank reconciliations as at 31 March 2008 and that the work was performed accurately.

Internal Audit had also undertaken planned work on two grant claims: Housing Market Renewal Fund (2007/2008 final and 1<sup>st</sup> quarter 2008/2009) and Local Agreements (2007/2008 final). At the request of the Head of Service a grant claim for the Bauhaus exhibition held at MIMA had also been audited and certified.

Within the period under review Internal Audit had also allocated time to upgrading and development of SAP, input into the Governance Assurance Statement and delivery of the National Fraud Initiative. Advice had also been provided to services in order to assist with continuous improvement and achievement of corporate objectives. In addition, Internal Audit had also commented upon sixteen requests for a dispensation from Standing Orders with respect to Contracts.

Arising out of the findings of planned audits, special investigations had been conducted into reported breaches of Contract Standing Orders and thefts of assets belonging to the Council. As a result of investigation and recommendations, management had taken action to implement improvements over the physical security of assets.

Two members of the Internal Audit Service had achieved examination success attaining the Strategic Level of the Chartered Institute of Management Accountants professional qualification and the Technician Level of the Association of Accounting Technicians.

It was anticipated that progress against the audit plan in the second half of the financial year could be affected by the absence of the Deputy Audit Manager on maternity leave, the long term sickness of a Principal Auditor and a vacant Auditor post from 1 October 2008.

**AGREED** that the contents of the report be noted.