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## OVERVIEW AND SCRUTINY BOARD

A meeting of the Overview and Scrutiny Board was held on 21 September 2005.

**PRESENT:** Councillor Carr (Chair), Councillors Booth, Cole, McTigue, Robson, Rogers and Rooney.

**OFFICIALS:** B Baldam, J Bennington, P Clark, A Crawford, J Ord, D Robinson and E Williamson.

**PRESENT AS AN OBSERVER:** Councillor N J Walker (Executive Member for Resources).

**\*\*APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Mawston, T Ward and Wilson.

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

No declarations of interest were made at this point of the meeting.

### **WELCOME – ALAN CRAWFORD**

The Chair welcomed Alan Crawford on his return to the Authority and attending his first meeting of the Board following his recent appointment as Scrutiny Support Officer.

NOTED

### **STRATEGIC AUDIT PLAN 2005/2006 TO 2007/2008**

A report of the Director of Resources was submitted which outlined the Strategic Audit Plan for three years from 2005/2006 and the Annual Audit Plan for 2005/2006. The current risk-based Internal Audit plan had been prepared to cover financial year's 2003/04 to 2005/06. The plan for financial year 2005/06 had been developed taking into account significant changes with the movement of services between Directorates, voluntary transfer of the local housing stock and changes in legislation.

The Audit Plan for 2005/06 was the first year of the three-year strategy and supported the achievement of Council objectives and assisted in safeguarding assets, ensuring best use of resources and reducing losses due to poor risk management.

The Board discussed the current staffing situation in respect of the Internal Audit Service as outlined in the report submitted and considered the recruitment problems facing the service as experienced nationally and not just by other local authorities. An indication was given of a number of factors for such difficulties, one of the main problems being the lack of qualified accountants with the necessary knowledge of local government.

Although Agency staff would be used where appropriate to make up the shortfall in resources and assist in delivering the plan it was acknowledged that where the level of resources restricted the service, the focus would be on carrying out its main function of evaluating the Council's overall financial control framework.

A risk model was used to assess the risks threatening the delivery of each service and system and to determine the priority within the plan. Assessment ratings were updated to reflect the outcome of the most recent audit of each operational activity.

The number of days required to deliver individual audits was balanced to available resources to produce a three-year strategic plan for 2005/2006 to 2007/2008 and the annual plan for 2005/2006.

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Preparation of the plan included consultation with the Senior Management Teams of the four Service Directorates and Corporate Services to ensure current and developing risks were taken into account.

In considering the Strategic Plan 2005/06 to 2007/08 the following key points were noted: -

- a) Staff vacancies arising in the final quarter of the financial year, alongside the significant resources input to support the development of the control environment within SAP had contributed to a number of key financial systems slipping into the 2005/06 plan. A provision of 236 days had been included in the 2005/06 plan to complete such work.
- b) Internal audit could assist the external auditor with work in accordance with certain legislation by documenting each material system and associated controls. The benefits to Internal Audit of performing such work were that it would be make it easier to identify key controls and increase the effectiveness of an auditor who was reviewing a system for the first time. An additional 5 days had been added to the time allocated to all audits of key financial systems to deliver such work.
- c) In the financial year 2004/05 Internal Audit committed significant resources to ensure that effective systems were in place to deliver the performance outcomes against which the Council was increasingly assessed for example, BVPIs, CPA PIs and PSA, particularly the information systems that underpin the measurement and reporting of performance. The Internal Audit Plan for 2005/06 sought to commit the same level of resources to such an area.
- d) The approach to school audits was being reviewed to eliminate time allocations from being exceeded. The need to develop links with the school governor, advisory and finance teams had been recognised and would be a 2005/06 development.
- e) The approach of internal audit was to use systems based reviews, supplemented in some areas by the use of regular audits. In addition to such audits and advice on controls given on specific development areas, there were a number of generic areas where demands upon Internal Audit could not be planned in advance. For this reason 100 days had been set aside as a contingency to provide capacity for anti-fraud and corruption work including special audits and the investigation of potential irregularities.

The key points raised during the ensuing discussion were as follows: -

- i) The District Auditor had recently indicated that the Plan may be ambitious given the recruitment problems and had suggested a revised plan over a period of 4 years.
- ii) Members requested that as in previous years, consideration of the required financial reports be programmed into the scheduled meetings of the Board whenever possible.
- iii) Improved audit delivery and liaison was to be pursued with Children Families and Learning Service in order to achieve a more consistent and co-ordinated approach and to avoid duplication.
- iv) In terms of Community Councils it was noted that improvements had been made to the book-keeping arrangements and it was confirmed that evidence had to be presented to justify any expenditure.
- v) Under the heading of Social Care reference was made to the medium risk shown and 12 audit days allocated in respect of the Tees Community Equipment Store.
- vi) In terms of Members Allowances under Corporate Services it was noted that in accordance with current legislation receipts were required to justify expenditure.
- vii) Although a low risk had been identified in respect of the Coroners Service reference was made to the budget monitoring arrangements with particular regard to recent overspend situations.

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- viii) In view of the need for further clarification and ongoing discussions 20 audit days had been identified in 2006/07 in respect of Corporate Governance and HBS Partnership Monitoring.
  - ix) Given the work which involved a number of high risk audits being carried over and others of medium risk which were not being covered Members queried whether or not there was a need to revise the contingency arrangements. It was pointed out that 100 audit days had been identified across unitary authorities.
  - x) It was noted that the revised 2006/07 plan would be submitted to the Board in November. Members also requested an update on the contingency arrangements and progress on the review relating to the development of the internal audit function.

**ORDERED** as follows: -

1. That the Officers be thanked for the information provided which was noted.
2. That the intended comprehensive review as to how the internal audit function could be developed in future years having regard to the wider range of activities which needed to be undertaken be endorsed.
3. That consideration of the required financial reports be programmed into the scheduled meetings of the Board whenever possible.
4. That the Board's comments and recommendations be brought to the attention of the Corporate Management Team and the Executive Member for Resources by means of the standard reporting mechanisms.