

Medway Council
AUDIT COMMITTEE

17 December 2009

7:00 pm to 8:50 pm

RECORD OF THE MEETING

PRESENT:

Committee members: Councillors Griffiths, Jarrett, Juby and Reckless

Substitute members: Councillor Andrews (for Councillor Brice
(Chairman))

In attendance: Claire Bryce-Smith (Audit Commission)
Stephen Gaimster (Assistant Director,
Development, Economy and Transport)
Stephanie Goad (Assistant Director,
Communications Performance and Partnerships)
Robert Grant (PKF)
Mick Hayward (Chief Finance Officer)
Richard Humphrey (Audit Services Manager)
Anthony Law (Cabinet Co-ordinator)

491 ELECTION OF CHAIRMAN

Councillor Andrews was elected Chairman for this meeting of the Audit Committee.

492 RECORD OF THE MEETING

The record of the meeting held on 24 September 2009 was signed by the Chairman as correct.

493 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Brice (Chairman) and Councillor Juby apologised for needing to leave the meeting early.

494 DECLARATIONS OF INTEREST

Councillor Griffiths declared a personal interest in any reference to NHS Medway, insofar as he is a non-executive director of the Trust.

495 COMPREHENSIVE AREA ASSESSMENT RESULTS 2009

Discussion:

This report informed Members of the results of the Audit Commission's 2009 Comprehensive Area Assessment (CAA) of Medway.

Claire Bryce-Smith, from the Audit Commission, explained that the CAA was more wide-ranging than the former Comprehensive Performance Assessment. It looked at the results achieved and the difference that has been made for residents' quality of life, rather than just rating specific Council departments. The CAA consisted of two elements: an organisational assessment focusing on how well the Council is performing and an area assessment, which reported on the combined achievement of all public agencies in Medway in improving the quality of life for residents.

Copies of the two assessments were attached to the report.

Members were advised that the Council had been assessed by the Audit Commission as 'performing well' – equivalent to 3 out of 4, where 4 is the highest score. The report highlighted the key strengths, such as cleaner streets and caring for children and older people and Claire Bryce-Smith highlighted to the Committee areas for improvement, such as results at key stage 2, the number of 16 to 18 year olds not in education and the need to do more, in relation to adult social care, to evaluate the level of success of the Council's actions and improve the quality of its information.

In relation to the area assessment, it was noted that this was based on the progress made in achieving Medway's Local Strategic Partnership's priority themes. Members were advised that Medway had been awarded a 'green flag' for exceptional performance in making Medway a safer place by stopping people re-offending and, importantly, had not been awarded any red flags, which would have indicated that the Audit Commission had significant concerns concerning the performance of public agencies. The strengths identified in the area assessment were

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noted, together with areas for improvement that would be addressed by Medway's Local Strategic Partnership. Claire Bryce-Smith highlighted the importance of the development of the new sustainable community strategy as a long-term framework for improvements.

Members discussed the contents of the two assessments. This included questions as to the availability and strength of supporting evidence to the statements contained within the assessments; such as the finding that the Council understands local concerns and listens to local people. It was explained that the assessments provided a high level overview, drawing on inspection work undertaken by the Audit Commission, the Care Quality Commission and OfSTED. The findings were therefore based on judgements such as the 2009 regeneration inspection.

Claire Bryce-Smith explained to the Committee that the organisational assessment would be made publicly available every year, providing an annual snapshot of quality of life in the area. The area assessment would be updated on a quarterly basis and supported from year two by a number of in depth reviews that will explore value for money and partnership working.

In response to a question concerning the continued use of the Place Survey the Committee was advised that the Audit Commission would continue to use the survey as it enabled comparison of a national indicator set. This could however be supported by further local information on public perceptions of living in Medway. Claire Bryce-Smith undertook to investigate the number of hits for Medway on Oneplace, the reporting website for Comprehensive Area Assessments, and noted the need to keep under review access to information for people without internet access.

Decision:

The Audit Committee noted the contents of the Audit Commission's Comprehensive Area Assessments and the comments made.

496 ANNUAL AUDIT LETTER 2008/09

Discussion:

This report and attachment gave details of the work carried out by the Council's external auditor (PKF) in the 2008/2009 financial year.

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The letter summarised the key issues arising from the work PKF had carried out during the year in respect of the Statement of Accounts and Use of Resources and the Value for Money conclusion and highlighted some specific risk-based use of resources work.

Robert Grant (PKF) provided an overview of the key findings. This included an unqualified opinion of the 2008/2009 Statement of Accounts, an unqualified value for money conclusion and confirmation that Medway 'performs well' in the use of resources. Members were advised that PKF would be reviewing progress within the strategic housing service and progress towards achieving two health equality Local Area Agreement targets (adult participation in sport and child obesity), which were not met in 2008/2009. Areas that the council could focus on to improve performance were also highlighted.

The Committee discussed the contents of the annual audit letter, in particular the development of effective procurement and embedding risk management. In response to questions concerning the 'good governance' findings it was explained that this did include internal governance, such as performance management systems, but also included the role and responsibilities of partnerships. Members also discussed the managing resources findings, specifically the reference made in the letter to the 'star chamber' process and its use in the budget setting process.

Decision:

The Audit Committee accepted the annual audit letter for 2008/2009.

497 ANNUAL AUDIT PLAN FOR 2009/2010

Discussion:

This report presented the external audit plan for 2009/2010, the overall scope of which had been determined by the Audit Commission's Code of Audit Practice. It was noted that PKF, the Council's external auditor, had drawn up the detailed plan in accordance with their risk-based approach to audit planning and planning meetings held.

Robert Grant (PKF) provided an overview of the annual audit plan. It was noted that the key accounts risk, which could impact on the audit, was implementing the proposed changes to CIPFA's Statement of Recommended Practice 2009. He also advised Members that a number

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of areas would be kept under review in 2010, this included: maintaining progress towards implementing International Financial Reporting Standards; improving financial management arrangements; finding more ways of working with strategic partners; embedding the value for money framework through the implementation of the new performance management system; sustaining performance in services and the Council's procurement process.

Members were informed that PKF was proposing an increase in their fee for 2009/2010. This was due to the Audit Commission imposing additional duties on external auditors in relation of grant claims and Government returns.

Decision:

The Audit Committee accepted the proposed annual audit plan for 2009/2010.

498 WHISTLEBLOWING POLICY AND REPORT ON INSTANCES APRIL 2008 - APRIL 2009

Discussion:

The Chief Finance Officer introduced the report that advised Members of three concerns raised under the Whistleblowing Policy between April 2008 and April 2009. It was noted that concerns raised on fraud and corruption issues for this period had already been reported to the Committee on 25 June 2009.

Further to the request made at the Committee on 25 June 2009 the report also presented a draft Whistleblowing Policy. This built on the Council's existing policy, with a number of revisions that were highlighted in the report. Members were advised that the policy would be the subject of consultation, assessed via the Council's Diversity Impact Assessment (DIA) process and considered by the Employment Matters Committee. Following this it was proposed that the policy be referred to Council for approval and inclusion within the Council's Constitution.

Members discussed the contents of the report and accompanying policy, expressing disappointment that no reference had been made in the report to the allegations made by whistleblowers into the Council's contract with Erinaceous Property Management.

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In relation to the draft Whistleblowing Policy Members requested that a number of issues be taken into consideration for potential further revisions:

- **Section 8 – Misuse of the Whistleblowing Policy**
The need to ensure sufficient safeguards are in place for staff raising concerns in good faith (as set out in section 1 of the policy), who will not know whether these concerns may be deemed as unreasonable at a later stage and therefore subject to disciplinary action. Members requested that section be revised, in particular the removal of the word “unreasonably”
- **Section 9 – Who can concerns be raised about?**
The potential difficulty for school based staff if it is inappropriate/difficult for them to raise a concern with the Headteacher or Chair of Governors. Consideration is therefore needed as to who these staff can escalate issues to in these circumstances.
- **Sections 14 - Taking your concern further and 15 - Contacting the media**
Whilst the early involvement of Councillors was viewed by the Committee as inappropriate it was considered appropriate for Councillors to be contacted after all the other channels had been exhausted (as set out in section 14), who could discuss the concern with the Chief Executive. Raising the matter with a Councillor could be incorporated within section 15 of the policy.

Decision:

The Committee noted the report.

The Committee noted the Whistleblowing Policy, as set out in Appendix 1 to the report and recommended that further consideration be given to the Committee’s comments.

499 INTERNAL AUDIT PROGRAMME 2009/2010

Discussion:

Members were given a brief overview of the 2009/2010 internal audit work programme.

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It was noted that the internal work programme was derived from a number of sources including the Council's risk identification process, internal audit's view of risk and requests from Members and officers.

During the discussion on this item Members were advised that an Imprest Account was the local government equivalent of a petty cash account, where spend is reimbursed.

Decision:

The Audit Committee noted the progress in delivering the 2009/2010 programme and that all key assurance work would be completed to support the needs of the annual governance statement and external audit.

500 OUTCOME OF AUDIT ACTIVITY

Discussion:

The Audit Services Manager introduced this report on the outcome of completed internal audit activity.

It was noted that for 2009/2010 the audit definitions had been revised to improve managers' understanding of them and that the audit report format had also been revised so to direct managers more clearly to the key risk areas and a clearer priority ranking system for audit recommendations had been introduced.

Officers responded to Members' questions on a number of audits. Members raised concerns as to whether there were sufficient controls following the audit of market income and parking income. In response to questions concerning inconsistencies in prescribed market fees the Assistant Director, Development, Economy and Transport advised Members that whilst officers sought to ensure market income was maximised, the market stall licence fee needed to be reasonable and reflect variations in markets stalls. He also advised Members that proposals were brought to him for approval. The Committee considered and stressed, due to budget implications, the importance of Member input into agreeing a framework for setting rates. It was agreed that this should be given further consideration as part of the budget setting process.

Decision:

The Committee noted the outcome of Internal Audit's work and the comments made.

501 OUTCOMES OF HOUSING BENEFIT COUNTER FRAUD INVESTIGATIONS

Discussion:

The Audit Services Manager advised Members of progress in investigating allegations of Housing and Council Tax Benefit fraud during the quarter ending 30 September 2009 and responded to Members' questions.

It was noted that since the last report to the Committee there had been eight successful and two unsuccessful prosecutions. Four cautions and two administrative penalties had also been issued. Details of these cases were set out in an appendix to the report. Members were also advised that in the financial year up to 17 November 2009 the investigations team had identified £97,643 of fraudulent overpayments of Housing and Council Tax Benefit and £259,156 of Department for Work and Pensions paid benefits.

Decision:

The Audit Committee noted progress in investigating benefit fraud in accordance with the approved sanction policy.

502 IRREGULARITY REPORT

Discussion:

This report and supporting exempt appendix set out details of two irregularity investigations and explained the actions taken to deal with the situation.

Decision:

The Committee noted the outcome of the irregularity investigation and the actions taken.

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Chairman

Date

Anthony Law

Cabinet co-ordinator

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