

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 16th September 2008 at 6.00pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: D.Wright (Chairman), I.T.W.Fletcher (Vice-Chairman), T.J.Hope, R.K.Austin, L.Lomax and W.L.Tomlinson.

OFFICERS PRESENT: Victor Brownlees – Corporate Director: Resources, Paul Clifford – Head of Finance, Pauline Harris – Corporate Finance Manager, Bernie Morris – Finance Manager: Capital & Treasury, Jenny Marriott – Audit & Risk Manager, Andrew Cardoza and Tim Pearce – KPMG LLP (UK).

AUC-22 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 22nd July 2008 be confirmed and signed by the Chairman.

AUC-23 APOLOGIES FOR ABSENCE

None.

AUC-24 DECLARATIONS OF INTEREST

None.

AUC-25 ANNUAL GOVERNANCE REPORT 2007/08

The Chairman welcomed Andrew Cardoza and Tim Pearce (KPMG) to the meeting and invited them to present their report in connection with their audit and the Annual Governance Statement for the year ending 31st March 2008.

The Committee were informed that the purpose of the report was in order to comply with the requirements within the International Standard on Auditing (UK and Ireland) 260. As a result KPMG were required by the Code to issue an opinion on the Council's accounts. The report also concluded on the Council's use of resources, certifying whether adequate arrangements were in place for each area specified by the Audit Commission.

Members were informed that the audit had been substantially completed and once the Annual Governance Report had been reported and approved by Full Council on 25th September – an unqualified audit opinion would be issued.

The Committee were further informed that following the completion of the audit a detailed debrief session would be held with the Council in order to identify further opportunities to improve both the accounts production and audit processes. However it was noted that good working relations had been established during the audit between KPMG and Officers and that a good set of working papers had been produced and that there was always a good and timely response given upon any enquiry raised by KPMG.

Further details contained within the Executive Summary were provided to the Committee together with details of the recommendations as outlined within Appendix 4 of the report. These included:

Enhancing the accounts closedown process – where it was stated that the Council should update the closedown process to include detailed consideration of accounting changes at an early stage.

Calculating the provision for doubtful debts – where the Council should review the current methodology for providing for doubtful debts and ensure that it was applied consistently.

Capital accounting – where the Council should accrue for retentions on capital contracts once the contracted work was completed. It was also suggested that the Council should review the methodology for capitalising salary costs to ensure that only costs directly attributable to acquisition and construction of fixed assets were capitalised.

The Committee was referred to the management responses as detailed within the report together with confirmation as to the officer responsible for the action together with the due date for completion of the required action. A Member enquired as to whether an update report could be provided to the Committee in relation to progress on the required actions as detailed within the action plan, to ensure that the declared actions were undertaken and completed on time. It was confirmed that an update report would be submitted to a future Committee meeting.

RESOLVED – that the Annual Governance Report for the year ended 31st March 2008 be submitted to the meeting of Full Council to be held on 25th September 2008.

AUC-26 STATEMENT OF ACCOUNTS 2007/08

The Committee received the report of the Head of Finance in connection with the Councils Statement of Accounts for the 2007/08 Financial Year.

A member referred to the detailed action plan at page 20 of the Statement and commented that the required actions should be undertaken and completed on time.

It was noted that the Statement of Accounts would following approval be referred to the Full Council meeting that was due to be held on 25th September.

RESOLVED – that the Statement of Accounts for the years 2007/08 be submitted to the meeting of Full Council to be held on 25th September 2008.

AUC-27 DRAFT UPDATED TERMS OF REFERENCE

The report of the Corporate Director: Resources was received which sought the Audit Committees comments on the updated terms of reference for the

Audit Committee which would be considered by the Council's Constitution Committee on 29th September 2008.

Members were reminded that the Audit Committees terms of reference specified that the terms of reference should be reviewed annually. The revised Audit Committee arrangements had been effective from the 2008/09 municipal year. The Committee was further advised that it was timely to review the terms of reference to reflect best practice and because it had also been identified during business that there were some activities that had incorrectly remained within the terms of reference of the Standards Committee.

The proposed terms of reference as outlined at Appendix A within the report would be presented to the Council's Constitution Committee on 29th September 2008 and would become effective following agreement at Council on 27th November 2008.

Members were referred to the proposed revised terms of reference as included within the attached appendix to the report. It was noted that the terms of reference had been re-organised under appropriate headings to provide clarity on the specific areas included. Other revisions that were noted included that the section on Fraud had been included and deleted from the Standards Committee terms of reference and the section on complaints had also been included to reflect best practice.

Other minor changes made had been to properly reflect the CIPFA Code of Practice for Internal Audit in Local Government 2006 within the Terms of Reference.

A member enquired as to whether there were Annual Reports presented for all aspects contained within the Policy. By way of response the Committee was advised that in respect to the whistle blowing aspect that a formal report was published. However, it was pointed out that in respect of Revenues and Benefits Fraud this particular service area did produce their own annual report. However, the member did state that it was important to know the full extent of fraud across the whole Council. The Audit & Risk Manager stated that this point could be considered in the future.

RESOLVED – that the revised terms of reference be agreed as outlined within Appendix A of the report and that the revised terms of reference be submitted to the Council's Constitution Committee.

AUC-28 UPDATE OF THE CORPORATE ANTI-FRAUD AND CORRUPTION POLICY

Members received the report of the Corporate Director: Resources which sought to obtain comments from the Audit Committee on the updated Corporate Anti-Fraud and Corruption Policy prior to consideration by the Standards Committee. The Committee was informed that the policy had been updated in order to reflect good practice and to continue to maintain the high standards operating within the Council.

The Council was committed to high standards of Corporate Governance and had a set of effective procedures in place which were regularly reviewed and given a clean bill of health by the External Auditor. These procedures included that the Anti-Fraud & Corruption Policy should be subjected to continuing review in order to maintain the Council's current high standards. Members were further informed that the existing Anti-Fraud and Corruption Policy had been updated in 2006.

The proposed changes to the policy reflected new legislation, good practice and developments in this area within the public sector.

In addition, the Audit Commission's Use of Resources assessment had within the internal control section, key lines of enquiry which measured that "The Council had arrangements in place that were designed to promote and ensure probity and propriety in the conduct of its business". The Corporate Anti-Fraud and Corruption policy that was followed by all members, employees, partners, volunteers, governor and suppliers/contractors provided evidence for the Use of Resources score and supported the Council's 4 star rating.

Members were referred to the amendments made to the policy and which were shown as tracked changes in Appendix A that was attached to the report.

In particular Members were referred to paragraph 3.1.5 which reinforced Member's responsibility to co-operate with any person or party conducting a fraud and corruption investigation and other activities.

A question was raised in connection with paragraph 3.3.1 and in particular the level of assurance that could be offered to the Committee to enable them to be satisfied that the appropriate controls were in existence. By way of response the Audit & Risk Manager confirmed that these controls would be considered and checked within current Internal Audit practices.

A further question was raised in relation to paragraphs 2.3 and 2.4 – it was raised as to whether the paragraphs should be extended to include co-opted members who sat on Scrutiny Commissions as there was no direct reference. It was pointed out that 2.3 referred to elected members and it was mentioned that co-optees did not fall within this particular category. The Audit & Risk Manager stated that the paragraph should be extended and suggested that the word elected should be deleted. She further stated that she would review the document to ensure that the word "elected" was removed where appropriate. It was further suggested that a footnote be placed within the document at this point in order to provide a clear definition.

Following agreement of the revised policy the Council would re-issue the two "High Standards" Cards – one for all members and one for all employees, reflecting their specific responsibilities under the policy.

RESOLVED – that the Audit Committee notes the updated Corporate Anti-Fraud and Corruption Policy attached at Appendix A and as amended in relation to the revised definition of a "Member" and

recommends the approval of the amended Anti-Fraud and Corruption Policy by the Standards Committee.

**AUC-29 DISCUSSION RELATIONSHIP BETWEEN AUDIT
COMMITTEE AND VALUE FOR MONEY SCRUTINY GROUP**

This item had been included on the agenda by Councillor Lomax the reason for the item was to enable a discussion to be undertaken in relation to the relationship between the Audit Committee and the Value for Money Scrutiny Group. The reason for the proposed discussion was to reflect on the work undertaken by both member groups to ensure that there was no duplication of work between the two committees. It was further felt that the Chairman of the Value for Money Scrutiny Group should remain as a member of the Audit Committee.

The Corporate Director commented that there was a degree of good overlap between both member committees.

Another Member stated that he was of the view that there was a complete difference between the Audit Committee and the Value for Money Group. He commented that whilst the Audit Committee had a legal obligation to oversee the financial side of the Council i.e. the statutory responsibility to approve the Statement of Accounts the Value for Money Group could scrutinise the level(s) of funding within specific areas.

AUC-30 DATES OF FUTURE MEETINGS OF THE COMMITTEE

It was noted that the dates of future meetings were as follows Thursday 30th October 2008, Tuesday 27th January 2009 and Tuesday 31st March 2009. It was noted however that the next meeting coincided with the arrangements of the next Group Leaders meeting. It was requested as to whether it could be established as to whether the Group Leaders meeting could be varied.

The meeting ended at 7.05 pm.

Chairman:

Date: