

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 17th June 2008 at 6.00pm in the Scrutiny Meeting Room, Civic Offices, Telford

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

AUC-1 MINUTES

RESOLVED – that the minutes of the meeting of the Standards & Audit Committee held on 3rd April 2008 in respect of those items within the remit of the Audit Committee be confirmed and signed by the Chairman.

AUC-2 APOLOGIES FOR ABSENCE

None.

AUC-3 DECLARATIONS OF INTEREST

Councillor I.T.W.Fletcher declared a minor personal interest in Agenda Item 8 – Appendix F on the basis that he was a governor for Redhill Primary School which was specifically referred to within the report.

AUC-4 EXTERNAL AUDIT – ANNUAL AUDIT & INSPECTION PLAN 2008/09

The Committee welcomed Dianne Thomas – the Council's Corporate Area Assessment Lead from the Audit Commission. She informed Members that she was the primary point of contact with the Council for the inspection work and was also responsible for the co-ordination of the audit and inspection work between KPMG and inspectorates, government offices and other key stakeholders.

In connection with the provision of detailed information in connection with the audit work she stated that she would be unable to comment as this fell within the remit of KPMG. It was confirmed to the Committee that representatives from KPMG would be attending the meeting to be held on 22nd July and any questions would be raised with them..

In answer to a specific enquiry about the fee she did point out to the Committee that whilst acknowledging that the fee had increased substantially this was as a result of the recently undertaken Corporate Assessment Inspection.

RESOLVED – that the Annual Audit & Inspection Plan 2008/09 be agreed.

AUC-5 INTERNAL AUDIT ANNUAL REPORT 2007/08

The Committee received the report of the Corporate Director: Resources which presented the Internal Audit Annual Report for 2007/08. Members were advised that in accordance with the CIPFA Code of Practice for Internal Audit

in Local Government the Head of Internal Audit was obliged to provide a written report to those members who were charged with governance timed to support the Statement on Internal Control.

This report was the seventh annual report on Internal Audit which summarised the key areas for 2007/08 and supported the Council's 2007/08 Annual Governance Statement. The system of internal control helped the Council to manage and control the risks which could affect the achievement of its objectives rather than eliminate them completely.

Members were referred to Appendix A within the report which indicated the main areas of work that had been undertaken during the year. Based on this work and the implementation by management of the recommendations made in those areas it was noted that Internal Audit could provide assurance that the systems of internal control within the Council had operated adequately and effectively. An area of concern that Internal Audit had reported on was catering in schools. Internal Audit had been supporting Catering Management over the last two years to implement new computer systems and controls. Although some controls required further work and continued assistance would be required and as a result it would remain as an area for improvement in the Action Plan annexed to the Annual Governance Statement.

The Committee was informed that KPMG became the Council's External Auditors from April 2007 and there had been continual liaison between Internal and External Audit to ensure that Internal Audit was undertaking the appropriate work upon which External Audit could rely and thus keep the external audit fee down. It was further reported that Internal Audit had delivered all the work for 2007/08 upon which External Audit placed reliance. Members were further informed that Internal Audit had been assessed by the External Auditor against the code. KPMG had confirmed that Internal Audit had complied with the code except in a few minor points as set out in the service's action plan. Internal Audit was re-assessed as part of the Audit Commission's update of the CPA Use of Resources in September 2007, which resulted in the overall Use of Resources score of 3. However the Internal Control sub-section (which includes Internal Audit) had secured an overall score of 4.

Members were also referred to the final outturn information in connection with local performance indicators that had been formulated by Internal Audit. These indicators showed that 100% of the work had been completed for the external auditor. The unit had also completed 90% of the other planned work, which was considered best practice. The target was 100% but reasons for the actual figure included the delayed start of an Assistant Auditor; removal of additional resource from the budget through the savings process and various pieces of unplanned investigations, complaints and corporate work beyond the contingency allocation. It was noted that this was the same level that the team achieved in 2006/07. For 2008/09 a more realistic target of 92% had been set which was appropriate to the team's current performance.

It was reported that during the year the team would continually investigate new/alternative ways of service delivery (practices, use of technology,

procedures and standard documentation) based on customer feedback, sharing best practice with other local authorities and service providers.

In addition to the service efficiencies that had been made the team had also contributed over the last 3 years to the Council's efficiency targets. For 2007/08 just over £39,000 savings had been achieved. Internal Audit was also a member of the CIPFA benchmarking club (membership of 165 local authorities). Results over the years had shown that the unit compare very well with other unitary authorities in a number of comparative measures and indicators.

Internal Audit also received customer feedback in the following ways Informal feedback from auditees during the audit; seeking feedback from auditees at draft report discussion meetings; Completion of a post audit questionnaire and the Annual Corporate Support Services survey. Members were referred to the various results from this feedback as outlined within the report.

In February 2008 Directors, Heads of Service and Business Managers were invited to take part in the annual corporate support services satisfaction survey. The results were published in March 2008 and the specific information for Internal Audit was included in the report. This indicated that Internal Audit had maintained a very high performance appearing in the top 4 for overall satisfaction, improved service and value for money service.

RESOLVED – that the Annual Internal Audit Report for 2007/08 be noted.

AUC-6 ANNUAL REPORT ON RISK MANAGEMENT 2007/08

The purpose of this report was to provide the Committee with an update on the Council's Risk Management activities for the 2007/08 Municipal Year. Members were advised that good governance and the Council's Risk Management Strategy required an annual report on Risk Management activity to be agreed by Members – this was the fourth such annual report.

The report highlighted the background and achievements for the 2007/08 Council Year. The Council had integrated risk management into service and business planning which demonstrated good management practice. The risk management function promoted the corporate risk management process and supported the whole Council in ensuring risks and opportunities were identified and managed appropriately. It was further noted that the principle of Risk Management was now well embedded within the Council's management processes and that further work to support this had been undertaken during the year.

The Committee were referred to the key achievements that had been achieved during the year at Strategic level, individual Portfolio level and by Business Units together with all Projects and Partnerships as outlined within the report.

Members were also informed as to how risk management was making a difference within the Council. The Committee was advised that a detailed risk workshop had previously been held with the relevant stakeholders of the

Small & Medium Enterprise Warehouse Project (which was part of Donnington Rail Freight Project). The results of the workshop were presented to the Rail Freight Project Board and it was agreed that the Warehouse Project was not a viable proposition for the Council, as a result the Project was withdrawn.

Members were finally informed of the key issues for 2008/09 as outlined within the report.

RESOLVED – that the contents of the Risk Management Annual Report 2007/08 and the Cabinet’s continued commitment to the Council’s risk management processes and good governance be noted.

AUC-7 THE ANNUAL GOVERNANCE STATEMENT 2007/08

The purpose of this report was for the Audit Committee to approve the Annual Governance Statement 2007/08 prior to the statement being signed by the Leader and Chief Executive and being presented to the Council with the 2007/08 annual accounts.

Members were informed that the Council was required to produce an Annual Governance Statement that was signed by the Chief Executive and Leader of the Council and that this statement must be included within the Annual Accounts. This was a new requirement for English Authorities however since 2004/05 the Council had produced a combined Assurance Statement for both Annual Assurance and Statement on Internal Control.

The Committee was referred to the Annual Governance Statement for 2007/08 as attached at Appendix B of the report which had been developed based on the requirements of the regulations and the guidance that had been received from CIPFA in late April 2008. The statement also included an action plan that would be used to ensure that the Council continued to improve the current governance arrangements.

In connection with the action plan that had been attached to the 2006/07 statement this had been reviewed and updated during the year and the current position was attached within Appendix C to the report with any outstanding actions being included within the 2007/08 statement.

The Annual Governance Statement outlined that the Council had adhered to the Local Code of Corporate Governance, and had continually reviewed and improved its procedures to maintain and demonstrate good corporate governance and that robust systems of internal control were in place. Members were advised of how assurance was provided and evidenced within the Council in connection with the annual governance statement.

Currently, the Council was awaiting the results of its Comprehensive Performance Assessment and Joint Area Review which had taken place in May 2008, and these results may further inform future actions within the annual governance action plan.

RESOLVED – that the Annual Governance Statement attached to the report be approved and the information supporting the report be noted.

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AUC-8 INTERNAL AUDIT UPDATE ON QUARTER 4 (JANUARY – MARCH 2008)

The purpose of this report was to update members on the work of Internal Audit during quarter 4 – January – March 2008. The report provided information on the work of Internal Audit during January to end of March 2008 together with an update on the progress of previous audit reports issued (January to December 2007). The Committee was advised that Internal Audit had during the reporting period had particularly focussed on completion of the fundamental audits, completion of the planned Primary Financial Management Standard in Schools assessments and planning for 2008/09.

There were no specific issues to bring to the attention of members of the Committee. It was further reported that the appropriate management teams had agreed action plans and commenced implementation in connection with the 4 amber reports summarised in Appendix D of the report. Internal Audit was confident that the recommended controls would continue to improve in these areas but would report back after follow up, if required.

Internal Audit reported last year that all Secondary Schools met the Financial Management Standard in Schools (a new government requirement). Primary schools had been introduced on a phased basis from April 2007. The Committee was informed that all those schools that had been visited during 2007/08 had also met the standard.

RESOLVED – that the contents of this report be noted.

AUC-9 INTERNAL AUDIT ICT PLAN 2008/09

The report of the Corporate Director: Resources was received which sought to provide to the Committee detailed information on the ICT Audit Plan 2008/09 that was summarised in the 2008/09 Internal Audit Plan.

Members were advised that the Standards and Audit Committee approved the Internal Audit Plan 2008/09 at their meeting on 3rd April 2008. However, the detail of the ICT audit work had not been finalised due to the desire to consult with the new Head of ICT who started with the Council in March 2008. It was agreed that the detailed information would be presented to the Committee when available.

As part of the assurance work for the authority a separate ICT Audit Plan had been produced. This plan linked with the general Internal Audit Plan 2008/09 and would provide reasonable assurance to the authority on the internal control arrangements. In accordance with good practice, the ICT Audit Plan was mainly linked with key ICT risks across the authority. This allowed finite Audit resources to be focused on ICT areas which could potentially have the greatest impact on the authority achieving its objectives.

The ICT Audit Plan 08/09 included the review of key corporate systems including the Council's Financial, Human Resources/Payroll and Revenues & Benefit systems. The Council's External Auditors (KPMG) placed reliance on this internal audit IT work which contributed to minimising the External Audit

fee. In addition to the section 151 officer, the Heads of ICT and Customer Services & Business Transformation had had been consulted and agreed the 2008/09 ICT Audit plan.

Members were referred to the approved ICT Audit Plan 2008/09 that was attached as Annex 1 to the report.

RESOLVED – that the contents of the report be noted.

AUC-10 APPOINTMENT OF CO-OPTEES

The Committee were referred to the previous meeting of the former Standards & Audit Committee that was held on 3rd April 2008 and in particular ST-60 and in particular the resolution that membership of the Audit Committee should include an external independent person.

Following a discussion it was considered that Committee members would be in a position to act robustly with future business items and that at this time this particular resolution would not be pursued. However it was agreed that this would be reviewed as part of the proposed review of the effectiveness of the system of internal audit and the Audit Committee that would be undertaken at the January 2009 meeting.

AUC-11 TIMING OF MEETINGS

The Chairman enquired as to whether members were in agreement with the future starting time of meetings of the Committee. Following a discussion it was agreed that 6.00 pm was a suitable commencement time.

AUC-12 DATES OF FUTURE MEETINGS OF THE COMMITTEE

It was noted that the dates of future meetings were as follows Tuesday 22nd July, Tuesday 16th September and 30th October 2008 and Thursday 27th January and Tuesday 31st March 2009.

Members also received a programme of proposed business items for the future meetings of the Committee.

The meeting ended at 7.25 pm

Chairman:

Date: