

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 22nd July 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, L.Lomax and W.L.Tomlinson.

OFFICERS PRESENT: Victor Brownlees – Corporate Director: Resources, Paul Clifford – Head of Finance (for items 1-5), Jenny Marriott – Audit & Risk Manager, Michael McDonagh and Tim Pearce – KPMG LLP (UK) (for items 1-5).

AUC-13 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 17th June 2008 be confirmed and signed by the Chairman.

AUC-14 APOLOGIES FOR ABSENCE

Councillor T.J.Hope.

AUC-15 DECLARATIONS OF INTEREST

None.

AUC-16 EXTERNAL AUDIT – ANNUAL AUDIT & INSPECTION PLAN 2008/09 – EXPLANATION OF THE KPMG WORK

The Committee welcomed Mike McDonagh and Tim Pearce from KPMG who were the officers from KPMG responsible for the overall delivery of the Annual Audit on behalf of the Audit Commission. The Plan included the quality of outputs, signing the opinion and conclusion and liaison with the Chief Executive and the Audit Committee members. Members were referred to the contents of the Audit and Inspection Plan that was submitted with the agenda.

In particular reference was made to the proposed timetable of the audit; the Audit and Inspection fee and the planned work that would be involved in the Audit and Inspection.

In connection with the planned fee Members were requested to note that there had only been a slight increase in the fee that would be charged by KPMG and that the fee charged was some 19% below the scale fee recommended by the Commission. The Committee were further requested to note that the total increase of the Inspection fee was principally as a result of the element in relation to the recent CPA Inspection.

The Committee was informed of the main constituents that would be contained within the Auditor's report on the Council's Financial Statements. This would include risks that would likely affect the audit of the financial statements and included changes to the CIPFA Statement of Recommended Practice (SORP) to include the new requirement of the production for a

Statement of Total Recognised Gains and Losses (STRGL) within the accounts and also the adoption of the International Financial Reporting Standards (IFRS) within Local Government. It was reported that both of these elements would be challenging to the Council and would be assessed by KPMG to ensure that these changes were addressed. It was suggested that in relation to STRGL that further information should be provided to Members and that this could be achieved at a future Audit Committee meeting.

Other identified key risks included the implementation of Single Status within the Council and also the ongoing Campus Telford & Wrekin initiative. It was also noted that KPMG would continue to work with the Council to ensure that any emerging risks were adequately addressed.

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

AUC-17 **EXTERNAL AUDIT – INTERIM AUDIT REPORT 2007/08**

The Committee received the Interim Audit Report for 2007/08 which summarised KPMG's findings in connection with their planning and interim audit work within the Council. The report covered principally three main areas – Audit Planning; Controls testing and year end balances.

Members were referred to the main elements of KPMG's findings contained within the report which dealt with the Council's accounts production process, changes in the general accounting requirements, the control environment and the Council's overall financial position. It was acknowledged that there were no issues raised and that the control framework evident within the Council was very sound. It was further reported that the Council's Internal Audit team was compliant with the Code of Practice for Internal Audit.

However, Members were referred to the Council's financial position element of the report which highlighted that there was growing uncertainty over the implementation of Single Status, although it was acknowledged that the Council was working to quantify the financial impact of single status more fully, by building on the financial provision that had been made in the 2007/08 accounts within the 2008/09 budget. The current financial provision is as accurate as possible based on the current information available.

RESOLVED – that the KPMG Interim Audit Report for 2007/08 be noted.

AUC-18 **INTERNAL AUDIT QUARTER 1 – UPDATE REPORT**

The Committee received the joint report of the Head of Audit & Democracy and the Audit & Risk Manager, which provided information on the work of Internal Audit during April to the end of June 2008 (Quarter One) together with an update on the progress of previous audit reports issued (April 2007 to March 2008).

Members were advised that Internal Audit activity during this period had particularly focussed on completion of the audits set out in the Internal Audit Plan and the review of a sample of Performance indicators across all

Portfolios including arrangements for information collection systems and data quality.

There was also a follow up to the amber catering services report currently in progress and in addition to this a computer systems audit was also being undertaken on the PCS (Plastic Card Services) catering system. The results of this audit would inform the work already undertaken in this area.

At the previous meeting members requested information on the catering arrangements in the Council's schools. Members were informed that all the primary schools bought into the Council's education catering arrangements. However, Secondary schools had a choice and the Committee was advised that currently the following schools used the Council's catering arrangements – Lord Silkin, Phoenix, Newport Girls High, Sutherland, Wrockwardine Wood Arts College, Ercall Wood Technology College, Madeley Academy and Abraham Darby (until 31st August 2008 when the school would transfer to Academy Status from this date). Members were further informed that the following schools did not use the Council's catering arrangements – Burton Borough, BRJ, Adams Grammar, HLC and Charlton.

The Committee was further referred to the Corporate Parenting – 16+ Team follow up that was completed during the quarter. This was a follow up of the red report issued in October 2007. The follow up was categorised as amber due to management controls that had been implemented as a result of recommendations contained within the original report were judged to be still not working as effectively as they could. Members were further informed that Internal Audit would continue to work with management in this area to improve controls and that a further follow up review would be undertaken in September 2008.

It was reported that there were no other issues to bring to the attention of members of the Committee. The appropriate management teams had agreed action plans and had commenced implementation for the 2 amber reports summarised in Appendix D of the report. Internal Audit were confident that the controls had and would continue to improve in these areas but a further report would be referred to Members after the planned follow up, if required.

Members were referred to the various appendices attached to the report which provided a list of final reports issued quarter one with our grading – red, amber, yellow or green and any appropriate comment on internal controls. A List of all work undertaken for quarter one of 1 day or more. Details of the previous graded reports from April 2007 to March 2008 and their current status together with further information for the 2 amber reports.

In connection with Appendices A and D – Members noted in particular the two amber reports that had been issued for Residency Payments (Children & Young People) and Appointeeships (Adult & Consumer Care) and the reasons these reports had been given Amber status.

The Committee were referred to the Catering Systems report (Appendix C) that was discussed at the previous Committee meeting held in June. Members

were informed that the ongoing follow-up work that had been undertaken had provided indications that the service was moving towards Yellow status.

There was a general discussion as to the extent of information required by the Members in connection with Internal Audit Reports particularly in situations where follow up reports provided evidence of little or no progress following initial action plans. The Committee agreed that it would wish to initially view follow up reports together with agreed action plans for those areas which were originally graded as Red or Amber. It was further agreed that in those areas where no progress was evident that the Committee should reserve the right to request further and more detailed information, including possibly asking the relevant Heads of Service to attend the Committee.

RESOLVED – that the Internal Audit Quarter One 2008/09 Update Report be noted.

AUC-19 REVIEW OF KEY STRATEGIC RISKS – MAY 2008

The report of the Corporate Director: Resources was received which sought the Committee should note the revised key strategic risk register following the completion of a review in May 2008. Members were advised that the Council needed to review the Key Strategic Risk Register regularly in order to reflect the constant changes affecting the Council, its risks and the effectiveness of the controls implemented to manage the identified risks.

The last formal review of Key Strategic Risks was in January 2008. Members were requested to note Appendix A that was attached to the report which outlined the results of the May 2008 review of Key Strategic Risks with the changes since January 2008 being shown in red and bold type. Members were advised that the revised Key Strategic Risk Register was formally approved by Cabinet at its meeting held on 16th June 2008.

Further details were provided in connection with the proposed amendments to the Key Strategic Risk Register following the May 2008 review. The Committee was informed that the next review would be held in September 2008.

RESOLVED – that the report on the Review of the Key Strategic Risk Register be noted including the changes to the key risks outlined in the report and Appendix A.

AUC-20 SUMMARY OF CORPORATE RISK MANAGEMENT GROUP MEETING – 12TH JUNE 2008

Members were referred to the information report following the last meeting held on 12th June 2008. Members in particular were informed that following the secondment of Heather Gumsley to Adult & Consumer Care that Sarah Daffern had recently been appointed as the Interim Principal Risk Officer.

The Committee was informed of the ongoing work in connection with evidence collation in connection with the CPA Use of Resources. Members were further advised that KPMG were currently undertaking the review at present, with all

the required evidence having been produced. The initial findings of the review had identified some further work to be undertaken by the Council which would hopefully assist in securing the highest scores of 4 across all the relevant sub-sections.

RESOLVED – that the contents of this report be noted.

AUC-21 DATES OF FUTURE MEETINGS OF THE COMMITTEE

It was noted that the dates of future meetings were as follows Tuesday 16th September 2008 (Members of the Committee agreed to move the meeting from the proposed Monday 15th September so that training on the accounts could be provided prior to the meeting), Thursday 30th October 2008, Tuesday 27th January 2009 and Tuesday 31st March 2009.

The meeting ended at 7.25 pm.

Chairman:

Date: