

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 27th January 2009 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: Ken Clarke – Head of Audit & Democracy and Jenny Marriott – Audit & Risk Manager.

AUC-38 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 30th October 2008 be confirmed and signed by the Chairman.

AUC-39 APOLOGY FOR ABSENCE

Councillor T.J.Hope.

The Head of Audit & Democracy reported to the Committee that Mr A Cardoza (KPMG) was unable to attend the meeting and accordingly there was a request to defer consideration of Agenda Item 10 – Appendix F to the next meeting. This request was approved by the Committee.

AUC-40 DECLARATIONS OF INTEREST

None.

AUC-41 QUARTER 3 – UPDATE REPORT

The joint report of the Head of Audit & Democracy and the Audit & Risk Manager was received which sought to update members on the work of Internal Audit during quarter three for the period October – December 2008.

Members were reminded that the Committee received quarterly reports on the work of Internal Audit within the Council. The report also provided an update on the progress of previous audit reports that had been issued in the period commencing July 2007 to September 2008. The Committee was informed that Internal Audit had principally focussed on the completion of audits as set out in the Internal Audit Plan. This particular quarter's report also included a number of internal audits which were used by the external auditor to inform and provide evidence for their final accounts work. It was also noted that the completion of this programmed work had been affected by the Leader requesting a review which was undertaken by two senior team members. Planned time had also been allocated towards the recruitment of a part time Auditor to replace an Auditor who had left at the end of October 2008.

The Committee were referred to the Appendices attached to the report which included a list of final reports that had been issued within quarter three with their respective grading, a schedule of all of the work that had lasted for more

than one day within the quarter, a list of all the graded reports from July 2007 to September 2008 and their current status and the provision of further information in connection with the two amber reports that had been issued during this particular quarter.

It was noted that Internal Audit were confident that controls had and would continue to improve in all areas where recommendations had been made and that assurance had been given by the appropriate management teams that the action plans would be delivered.

Members were in particular referred to the reports that had been originally published as red/amber that had remained as amber. The Committee were referred to Appendix D which provided summary reports in relation to follow-up Audits for the Ice Rink and also Oakengates Leisure Centre. Following a request from Members the Audit & Risk Manager stated that she would circulate full copies of the reports in connection with the Ice Rink and Oakengates Leisure Centre for information. It was also requested that the Head of Leisure should be invited to attend at the next Committee meeting so that he could provide assurance to Members in relation to improvements in the controls within Leisure Services.

The Committee were also referred to those areas which had resulted in Internal Audit expending more than 15 days in the quarter and the reasons for this. A number of Members enquired as to whether within the report the Committee could be advised of the number of planned days and actual time for each area of work. The Audit & Risk Manager stated that this may be not useful as the number of days allocated did vary from one quarter to the next. However it was agreed that for reports in Appendix A – audits completed that quarter – that in the future the amount of budgeted time and actual time would be included. This approach was agreed by the Committee

Members also requested that within the Annual Report that statistics be included of the number of audits that were undertaken per portfolio together with an analysis of the number and type of recommendations contained within each report which should help to identify any trends.

RESOLVED – that the update report in connection with Quarter Three (October – December 2008) be noted.

AUC-42 **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT AND THE AUDIT COMMITTEE INCLUDING THE USE OF CO-OPTees**

Members received this report which sought the Committee's approval to how they would on behalf of the Council meet the requirements of the Accounts & Audit Regulations 2003 as amended in 2006. This particular regulation required the Council to undertake an annual review of the effectiveness of its system of internal audit. The Committee were also required to agree how they would measure the effectiveness of the Audit Committee and also to decide whether any co-optees were required to support their work.

It was noted that the results of the review of Internal Audit would be presented to the meeting of the Committee to be held in June 2009 and the review of the effectiveness of the Audit Committee would be received at the March 2009 meeting.

The meeting was informed that in accordance with the Accounts and Audit (Amendment) (England) Regulations 2006 the Council was required to undertake an annual review of the effectiveness of its system of internal audit. However Members were informed that since the requirements came into force in April 2006 a brief explanation of the requirements were provided by the DCLG. This guidance was not prescriptive and had not clarified a defined system in order to assess the effectiveness of internal audit. The Committee were further informed that CIPFA had attempted through research and consultation to address this lack of guidance, with an updated draft having been submitted to the December 2008 CIPFA Audit Panel but this was subject to further review. The principles contained within this particular draft had been used as the basis of this report.

Members were requested to note that there was a further requirement that the Committee should agree who should undertake the review. The Committee noted that in February 2008 a survey of effectiveness was undertaken of the Audit activities of the Standards & Audit Committee and that this survey would need to be repeated in order to assess the effectiveness of the Audit Committee and also whether to appoint any co-optees.

In connection with the assessment of the effectiveness of Internal Audit the Committee were referred to the various elements of guidance received from CIPFA. The Committee were reminded of the existing assurance framework within the Council and of the existing mechanisms that were already in place for parts of the framework i.e. scrutiny, standards and Central government. In connection with the other areas the report indicated four options for review that had been previously presented to the Standards & Audit Committee. Members were referred to the Appendix attached to the report which provided further information on the pros and cons for each option. Following a discussion the Committee agreed to proceed with Option 1 contained within the report.

In relation to the assessment of the effectiveness of the Committee members were referred to the survey that had been taken in February 2008. The proposed survey form that had been annexed to the report was referred to Members for their approval with the addition of questions in connection with the possible appointment of co-optees. The Committee were also referred to the proposed list of officers and Members to which the survey should be forwarded. Following a discussion the list of proposed respondents were approved together with the inclusion of the Leader and the Democratic Services Officer who was responsible for the administration of the Committee.

RESOLVED –

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- (a) that in connection with the assessment of the effectiveness of the system of Internal Audit that Option 1 as contained within 5.1 of the report be approved;
- (b) that the proposed list of respondents for the survey to assess the effectiveness of the Council's Audit Committee be approved subject to the inclusion of the Council Leader and the Democratic Services Officer who administers the Committee; and
- (c) that it is noted that following the reporting of the survey results to the meeting of the Audit Committee to be held in March 2008 that a decision would be taken in respect to co-optees.

AUC-43 REVIEW OF KEY STRATEGIC RISKS – SEPTEMBER 2008

Members received the report of the Corporate Director: Resources which required that members should note the revised Key Strategic Risk Register that had been approved by Cabinet at its meeting held on the 10th November that followed the review that had been undertaken in September/October 2008. The Committee were advised that a further report would be submitted to the Cabinet on the 23rd February 2009.

The Committee was reminded that the Council needed to regularly review the Key Strategic Risk Register in order to reflect the constant changes affecting the Council, its risks and the effectiveness of the controls implemented to manage these risks. Reference was made to Appendix A to the report which highlighted the changes following the results of the September 2008 review.

Members were referred to the proposed amendments for September 2008 as detailed both within the Appendix and also within paragraph 6 of the report.

Following a discussion the Committee suggested that in future the description of the risk was expanded slightly within the report to include an explanation and summary of the effects that could occur. Members also noted that there were limited actual timescales within the future actions column and it was questioned that these should be included. The Audit & Risk Manager noted the comments and stated that they would be considered to be included within the next review.

Members also requested more explanation on the risks from the risk owner. Following a discussion it was agreed that the risk identified as Risk 10 within the register – failure to deliver the housing growth agenda should be more fully considered. In order to achieve this it was agreed that the appropriate risk owner (officer) and relevant Cabinet Member should be invited to the next Committee to provide more information in connection with this particular risk.

RESOLVED – that the Committee notes the changes to the key risks as indicated within paragraph 6 and detailed in Appendix A to the report and the Council's continued commitment to the effective management of risks.

AUC-44 UPDATE OF THE RISK MANAGEMENT STRATEGY 2008

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The report of the Corporate Director: Resources was considered by the Committee in which they were requested to note the revised risk management strategy.

Members were advised that the risk management strategy had been reviewed in line with best practice and the requirements of the CPA 2008. The revised draft strategy also incorporated comments from the Corporate Risk Management Group. The Committee was referred to the amended Risk Management Strategy as outlined within Appendix 1 of the report, which also showed the track changes in order for the revisions to be easier noted. The changes centred on an increased emphasis on Business Managers responsibilities and improved communication.

A member of the Committee enquired as to whether the Audit Committee should be included within Part 5 on page 11 in relation to Communication of Risk Management and that the Committee should be named as a constituent part of future reviews. By way of response the Audit & Risk Manager confirmed that reference was made to the Audit Committee within the stated responsibilities for Risk Management but that their responsibilities towards the review of the strategy would be amplified in the next review of the document.

RESOLVED – that the revised Risk Management Strategy as attached within Appendix 1 and the comments within 5.2 of the report be noted.

AUC-45 DATES OF FUTURE MEETINGS OF THE COMMITTEE

It was noted that the date of the next meeting of the Committee would be held on Tuesday 31st March 2009.

AUC-46 EXCLUSION OF PRESS AND PUBLIC

RESOLVED – that the press and public be excluded from the meeting for the following items of business on the grounds that they may involve the likely disclosure of information, as defined in Paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972.

AUC-47 KPMG – ANNUAL EXTERNAL AUDIT REPORT 2007/08

RESOLVED – that due to the unavoidable absence of the representative from KPMG that consideration of this particular item be deferred until the next meeting.

AUC-48 FEEDBACK FROM CIPFA INTERNAL AUDIT BENCHMARKING 2008 AND COMPARISON 2007

A report on the results of the CIPFA benchmarking exercise for Internal Audit 2008 written by the Audit & Risk Manager was received by the Committee.

The report indicated that the Internal Audit team was always striving to ensure that it provided value for money to the Council and the community whilst also providing a high quality service. The team regularly compared itself with other

local authorities and sharing good practice to ensure that it was adhering to the CIPFA Code of Practice for Internal Audit in Local Government 2006 and other recognised best practice. This occurred through membership of regional and national networking groups, membership of the CIPFA benchmarking club for Internal Audit and continued professional development.

This report set out the results of the benchmarking exercise for 2008 and provided additional information on staffing levels as requested by the Committee. The results demonstrated that the Council's Internal Audit Service compared very well with other unitary authorities.

In conclusion Members noted that for a relatively small unitary authority Internal Audit provided a high quality service as verified by external inspection - Audit Commission's Use of Resources (internal control top score of 4) and internally - the Corporate Support Services survey results (consistently one of the top 4 services). It was very difficult to achieve a top score of 4, and it was further noted that the Council were the only authority from the quoted sample within the report to have achieved this level.

The Committee were complimentary about the contents of the report and stated that the results should be used to inform and demonstrate the effectiveness of the system of internal audit as had been reported earlier within the meeting.

The meeting ended at 7.30 pm.

Chairman:

Date: