

AUDIT COMMITTEE

THURSDAY 21 AUGUST 2008 AT 11.00 AM

PRESENT: Councillor Mrs Mallinson (Chairman), Councillors Allison, Mrs Bradley (as substitute for Councillor Stothard), Hendry, Layden, Lishman and Mrs Styth.

AUC.43/08 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Stothard and from the Town Clerk and Chief Executive.

AUC.44/08 DECLARATIONS OF INTEREST

There were no declarations of interest.

AUC.45/08 MINUTES

The Minutes of the Meetings held on 15 April and 23 June 2008 were signed by the Chairman as a true record of the meetings.

AUC.46/08 REFERENCES

Excerpts from Minutes EX.183/08 Audit and Inspection Plan 2008/09. EX.184/08 Code of Corporate Governance Action Plan, and EX.185/08 ICT Security Policy were circulated. The excerpts set out responses from the Executive to various references which had been raised by the Audit Committee.

The Chairman indicated that in respect of Minute EX.184/08 arrangements were currently being made to organise a meeting between the respective Chairs and the Portfolio Holder for Finance and Performance Management and the relevant Officer.

RESOLVED – That the responses from the Executive to the points raised by the Audit Committee be received.

AUC.47/08 REVIEW OF THE WORK OF THE AUDIT COMMITTEE

The Director of Corporate Services reported (CORP.36/08) regarding the terms of reference of the Audit Committee.

The Head of Audit Services indicated that following discussions at the last meeting of the Committee, consideration had been given to the workload and the possibility of additional meetings being built into the programme. He

informed Members that there would be a need to consider whether reports which were currently required at each meeting should also be required to be submitted to any additional meetings which were called.

He also reminded Members that the Audit Committee would need to present an annual report to full Council on its work and meet external and internal Auditors in private, subject to compliance with the Access to Information Rules, and appraise the Executive on the effectiveness and value for money of the external Auditors. The Head of Audit then drew Members attention to the various sections of the Audit Committee's Rules of Governance and Members discussed aspects of the different headings.

Members raised in particular the question of commissioning work from internal and external Audit and raised the possibility of commissioning additional support from external Audit. The Audit Manager commented that the Council agreed a fee each year with the Audit Commission which was based on guidance and assessed risks, and if the Commission were requested to carry out any additional work they would need to be content that they were best placed to be able to undertake this work and the Council would also need to ensure that it complied with its own Procedure Rules in commissioning any additional work. It was also noted that the Audit Committee did not have a specific budget to commission additional work and that any funding would need to be agreed.

In terms of the regulatory framework, there was some discussion as to the steps which might be taken to maintain an overview of the Contract Procedure Rules, Financial Procedure Rules etc and it was agreed that the Committee should receive an annual report even if the report indicated that there was no change and, if that was the case, that could also be highlighted in the Annual Report of the Committee's work.

The Chairman indicated that there had been no major review carried out on the Council's Constitution for some time and she raised the issue of the requirement to appoint Chairs of Committees at the Annual Council Meeting.

The Head of Legal Services commented that the Audit Committee's Terms of Reference did not include a review of the Constitution in its wider context but the monitoring of the operation of the Regulatory framework. He added that the Monitoring Officer regularly reported to Council on requirements to update the Constitution, and suggested that it would perhaps be appropriate if the matter referred to by the Chairman was submitted to the Group Leader's Meeting for them to discuss, and for them to take the matter up with the Monitoring Officer if that was felt necessary.

In response to the requirement that the Audit Committee present an Annual Report on the Work of the Audit Committee to full Council, it was suggested that it would be appropriate if the arrangements for submitting that report mirrored the arrangements currently adopted by the Overview and Scrutiny Committee, with the report being considered by the Audit Committee at its

April Meeting and submitted to the last meeting of the City Council in each municipal year.

Members noted the requirement that subject to the relevant meeting complying with the Access to Information, that the Audit Committee would meet annually in private with external and internal Auditors, and there was some discussion as to the arrangements which would be required.

The Audit Manager commented that if it was felt to be necessary to meet in private and with a reasonable period of notice, then that could be arranged with the District Auditor. It was felt that if there had been no reason to call a meeting in private with the external Auditors, then that could be recorded in the Committee's Annual Report to Council.

Members further discussed the work profile of the Audit Committee and the Audit Committee's remit in respect of instances of underspending/overspending in Directorates.

The Head of Legal Services commented that if the Committee became aware of instances of under/overspending it would be the Audit Committee's function to refer that concern to the Overview and Scrutiny or the Executive Committee and to monitor the Committees/Executive's actions in addressing the issue.

A copy of the Work Plan was also circulated and Members noted that there would now be a requirement for a meeting in August and a meeting in October/November each year.

The Chairman indicated that she had difficulties in attending the meeting scheduled for April 2009 and sought the Committee's direction on whether that date should be altered.

RESOLVED – (1) That the report on the Review of the Rules of Governance be received.

(2) That additional meetings be built into the programme in August and October/November.

(3) That a regular report, at the minimum annual basis, be submitted to the Committee on Review of the Contract Procedure Rules, Financial Procedure Rules, Financial Codes of Conduct.

(4) That the Annual Report on the work of the Audit Committee be considered at the April Meeting of the Committee, to enable it to be submitted to the last full meeting of the City Council in each municipal year.

(5) That it be noted that the work on the Statement of Internal Control would be subsumed into the Annual Governance Statement.

(6) That the date of the meeting scheduled for April 2009 be not amended.

(7) That the Committee appraise the Executive on the effectiveness and value for money of the external Auditors.

AUC.48/08 USE OF RESOURCES – INTERNAL CONTROL

The Head of Revenues and Benefits reported (CORP.46/08) on details of progress made on the 2008/09 Internal Control Key Line of Enquiries (KLOE's).

The Head of Revenues and Benefits reported on the progress made in respect of the recommendations made by the Audit Commission on improving the 2007/08 Internal Control Score of Level 2 and the progress made in meeting the new harder Internal Controls. He reminded Members that the Council was assessed annually by the Audit Commission on how well it managed and used its resources, and this evaluated the Strategic Financial and Internal Control arrangements which the Council had in place and the resources available to support Council priorities.

He informed Members that the Council's use of resources self assessment had been submitted to the Audit Commission before the 31 July 2008 and had provided evidence of significant improvement against the new harder tests during 2007/08. He added that the formal results were expected in December/January but initial feedback of the results was expected in November with the final scores being submitted in December/January.

The Audit Manager clarified that the self assessment submitted relates to 2007/08 and not 2008/09 as reported.

The Head of Revenues and Benefits indicated that he would submit a further report to the Audit Committee in January 2009 on the outcome of that assessment. He reminded Members of the Audit Commission's recommendations on Internal Control and set out progress which had been made with regards to :

Complex Partnership Risks being Actively Managed.

Ensuring that the challenge provided by the Audit Committee had an impact in terms of improvement,

and improving awareness amongst staff of the Council's Anti Fraud Strategy.

He further added that the Council were seeking to improve their existing assessment level of 2 to a level 3 "Performing Well" Assessment for its adherence to Internal Controls.

Members noted that use of resource themes were to be reduced from 5 to 3 and noted that effective actions were required to be embedded in the Council's working practices. However, given the lack of notice of the areas to be measured under the different themes, it would be difficult to show that these were part of the Council's everyday actions.

The Audit Manager commented that he would be surprised if the areas did not include areas/themes on which the Council was already working.

Members also questioned the criteria which was used in different authorities and the Audit Manager commented that the use of resources was different for different types of authority but did not differ greatly in respect of district/county councils.

RESOLVED – (1) That it be noted that the 2007/08 Use of Resources Self Assessment had been deposited in the Member's Room.

(2) That the 2008/09 Internal Control KLOE's Self Assessment details at Appendix 1 of Report CORP.46/08 be noted.

(3) That the progress made during 2007/08 in addressing the Audit Commission's recommendations in meeting the new harder KLOE's introduced for the 2007/08 Use of Resources Assessment be noted.

(4) That it be noted that a further report will be submitted to Members in January 2009 advising of the new 2008/09 Use of Resources Criteria.

(The meeting ended at 12.18 pm)