

AUDIT COMMITTEE

MONDAY 22 JUNE 2009 AT 10.00 AM

PRESENT: Councillors Cape (as substitute for Councillor Hendry), Farmer P, Knapton (as substitute for Councillor Lishman), Layden, Mrs Mallinson, Ms Patrick and Mrs Riddle (as substitute for Councillor Boaden)

[Councillor P Farmer left the meeting at 10.05 am, returning at 11.08 am]

ALSO

PRESENT: Ms Gina Martlew (Senior Audit Manager, Audit Commission)
Ms Angela Stubbs (Principal Auditor, Audit Commission)

AUC.29/09 APPOINTMENT OF CHAIRMAN

The Director of Legal and Democratic Services welcomed all those present to the first meeting of the Audit Committee in the current municipal year. He indicated that the first item of business was to appoint a Chairman for the Committee for the 2009/10 Municipal Year and sought nominations in respect thereof.

It was moved and seconded that Councillor Hendry be appointed Chairman of the Audit Committee for the Municipal Year 2009/10.

It was moved and seconded that Councillor Mrs Mallinson be appointed Chairman of the Audit Committee for the Municipal Year 2009/10.

Following voting thereon, it was –

RESOLVED – That Councillor Mrs Mallinson be appointed Chairman of the Audit Committee for the Municipal Year 2009/10.

Councillor Mrs Mallinson thereupon took the Chair.

AUC.30/09 APPOINTMENT OF VICE-CHAIRMAN

The Chairman sought nominations with regard to the appointment of a Vice-Chairman for the Committee.

It was moved and seconded that Councillor Layden be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2009/10.

It was moved and seconded that Councillor Hendry be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2009/10.

Following voting thereon, it was –

RESOLVED – That Councillor Layden be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2009/10.

AUC.31/09 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Boaden, Hendry and Lishman; and the Town Clerk and Chief Executive.

AUC.32/09 WELCOME

The Chairman formally welcomed all those present to the meeting. She further extended an invitation to substitute Members of the Committee to attend any future meetings with a view to increasing their knowledge of the working of the Committee.

AUC.33/09 DECLARATIONS OF INTEREST

Councillors Layden and Mrs Mallinson declared a personal interest in accordance with the Council's Code of Conduct in respect of references to Carlisle Housing Association within the Council's Statement of Accounts. The Members indicated that the interest related to the fact that they served as representatives of Carlisle City Council on the Housing Association's Board.

AUC.34/09 MINUTES

The Minutes of the meeting of the Audit Committee held on 8 April 2009 were submitted.

Referring to Minute AUC.26/09 concerning the Audit Services Progress Report, a Member sought clarity on the reference to the legality of secondary use of Council Tax data.

In response, the Head of Audit Services explained that as part of the follow up of the preview review the Revenues Manager was asked to examine the schedule of agreed actions. Further investigation and enquiries with Legal Services revealed that, due to the legalities of secondary use of Council Tax data, the recommendation was not achievable.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 8 April 2009 be noted.

AUC.35/09 MINUTES OF THE CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

The Minutes of the meetings of the Corporate Resources Overview and Scrutiny Committee held on 2 April, 14 and 18 May 2009 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Corporate Resources Overview and Scrutiny Committee held on 2 April, 14 and 18 May 2009 be noted and received.

AUC.36/09 RESPONSES FROM THE EXECUTIVE

There were submitted Minute Excerpts setting out the responses of the Executive on 5 May 2009 to references from this Committee concerning the following:

(a) EX.099/09 – Final Accounts Process

The decision was:

“That the report and reference from the Audit Committee be received, it being noted that whilst Officers were progressing work to mitigate those areas of risk there remained high risk areas within the Register.”

RESOLVED – That the response be noted.

(b) EX.100/09 – Audit Services Progress Report

The decision was:

“That the reference from the Audit Committee be received, it being noted that the implementation of the MASS database was currently being progressed by Officers and the enhancement of the role of the External Funding Officer would be dealt with as part of the Transformational Programme.”

RESOLVED – That the position regarding the MASS database be welcomed.

AUC.3709 COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

The Senior Audit Manager presented a letter seeking assistance with the Audit Commission’s current work on the Council’s Accounts for 2008/09. She informed Members that, in order to comply with International Standard on Auditing (UK&I) 240 they were required to obtain an understanding of how those charged with governance exercised oversight of management’s processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council.

The Committee was asked to confirm:

- (i) How it oversaw management processes to identify and respond to such risks; and

- (ii) Whether it had any knowledge of any actual, suspected or alleged frauds affecting the Council.

A second International Standard on Auditing (ISA(UK&1)250) required that Auditors understand how those charged with governance gained assurance that all relevant laws and regulations had been complied with.

A copy of the Chairman's written response to the Senior Audit Manager's letter, detailing the documentation / procedures that were readily available to all staff was tabled for Members' information.

In addition, the Senior Audit Manager had responded to issues raised at the previous meeting around Data Quality and the Ethical Governance Diagnostic (copies of which were also tabled) as follows:

- Data Quality – the Senior Audit Manager had spoken to the member of staff who undertook the work, who explained that the key issue about the way the County and Districts recorded the information related to the fact that in the past the system as a whole was not easily reconciled. As a result the County Council required all District Councils to complete a further electronic return which then standardised the recording of information. The Senior Audit Manager understood that for 2008/09 onwards a new web based system had been introduced which should make reconciling easier. It would have been better had they mentioned that new system within the report but, as they had not yet had the opportunity to check whether the new system was an improvement, the recommendation still stood.

The member of staff had also explained that Carlisle City was one of the District Councils which was conscientious about completing returns on time.

The issue over DEFRA apparently related to their inflexibility regarding deadlines for figures to be submitted to their system. City Council Officers realised that an error had been made and requested time to correct it. DEFRA was unwilling to allow amendments hence the discrepancy between the information within the 'waste data flow' system and the stated performance indicator.

It should also be noted that, because of the changes to the performance indicators relating to Waste for 2008/09, the auditors had decided to look at Waste performance indicators when they undertook detailed data quality work within the 2008/09 audit.

- Ethical Governance Diagnostic – the Senior Audit Manager had contacted the relevant person within the Audit Commission who was happy to receive suggestions about improvements to the wording of the questions / statements and the format of the questionnaire. Members were asked to let the Senior Audit Manger know if they would

like to forward comments or receive a blank copy of the existing questionnaire.

RESOLVED – That the position be noted.

AUC.38/09 ANNUAL AUDIT FEES 2009/10

(a) Annual Audit Fee

The Senior Audit Manager presented a letter confirming the audit work which the Audit Commission proposed to undertake for the 2009/10 financial year at the City Council. She outlined the basis of the audit fee for 2009/10, pointing out that as the 2008/09 audit had yet to be completed, the audit planning process for 2009/10 (including risk assessment) would continue as the year progressed and fees would be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 was £123,075 (exclusive of VAT) compared to the planned fee of £125,423 for 2008/09. The Audit Commission had published its work programme and scales of fees 2009/10, and the scale fee for the City Council was £110,780. The fee proposed for 2009/10 was 11% above the scale fee (17% above the scale fee in 2008/09).

(b) Annual Inspection Fee 2009/10

The Senior Audit Manager presented a letter confirming the assessment and inspection work which the Audit Commission proposed to undertake for the 2009/10 financial year at Carlisle City Council. She outlined the basis for the inspection fee, commenting that the total indicative fee for 2009/10, which had been set in accordance with the Audit Commission's work programme and scales of fees 2009/10, was £8,320 (exclusive of VAT). There was no additional fee in respect of the Area Assessment which covered all authorities in Cumbria.

The Senior Audit Manager pointed out that, when taken together, the fee had not increased which was recognition of the improvements made to the process.

Members extended their thanks to the staff involved and also the Auditors for the outstanding work undertaken.

RESOLVED – (1) That the annual audit fee and annual inspection fee for 2009/10 be noted.

(2) That the Audit Committee wished to extend its thanks and appreciation to members of staff and the Auditors for work undertaken during the past financial year.

AUC.3909 AUDIT COMMISSION PROGRESS REPORT

(a) 2008/09 Audit Opinion Plan – Update

The Senior Audit Manager presented the Audit Opinion Plan for the 2008/09 audit setting out the work the Audit Commission proposed to undertake in order to satisfy their responsibilities under the Code of Audit Practice.

She outlined the background to the matter and requirement to:

- Identify the risk of material misstatements in the City Council's accounts;
- Plan audit procedures to address those risks; and
- Ensure that the audit complied with all relevant auditing standards.

The Senior Audit Manager set out for Members the Commission's approach to identifying opinion audit risks and had considered the additional risks appropriate to the current opinion audit. Details of the key milestones and deadlines for preparation of the financial statements by 30 June 2009 were provided. She remained satisfied that the original estimate of £125,423 was entirely appropriate and no adjustment was required.

The Senior Audit Manager also outlined progress with the 2008/09 audit, pointing out that the approach to Use of Resources was changing for 2008/09, the assessment being much more focussed on outcomes. The timetables for that work were now earlier and the auditors were in the process of completing their initial assessment for discussion with management in early July.

RESOLVED - That the Committee welcomed the submission of the Audit Opinion Plan 2008/09.

(b) Protocol for Liaison between Carlisle City Council and External Audit

The Principal Auditor presented a protocol for liaison between Carlisle City Council and External Audit. The Audit Commission had made a commitment to strategic regulation, the principles of which had been incorporated into the 2005 Code of Audit Practice. The Code required external auditors to carry out their audit economically, efficiently and effectively, and in as timely a way as possible.

The purpose of the protocol was to set out the manner by which Members, Officers and the Auditors could work together to both maximise the benefits and minimise the cost of their work.

Details of the following areas covered by the protocol were provided:

- Overarching liaison arrangements;
- Internal audit;
- Accounts;
- Grant claims; and
- Accommodation and facilities

It did not, however, cover Use of Resources or Comprehensive Area Assessment. The protocol, which was discussed and agreed with the Director of Corporate Services in June 2009, replaced any previous protocols that were in place and would be updated on an ongoing basis as and when necessary.

RESOLVED – That the Audit Committee welcomed the submission of the Protocol for liaison between Carlisle City Council and External Audit.

AUC.40/09 STATEMENT OF ACCOUNTS 2008/09

Councillor Mrs Mallinson (Chairman), having declared a personal interest, remained within the meeting room and took part in discussion on the Statement of Accounts 2008/09.

Councillor Layden, having declared a personal interest, made no comment on this item of business.

The Chief Accountant presented report CORP.23/09 enclosing the Council's Statement of Accounts 2008/09 (subject to Audit). The Accounts had been prepared in accordance with the Revenue and Capital Provisional Outturn reports recently considered by the Executive and Corporate Resources Overview and Scrutiny Committee. There were some minor changes to the figures included in those reports, details of which were provided.

The Statement of Accounts had been based on those final outturn figures. However, because of the different way in which the Accounts must be produced, Members would not be able to see outturn figures within the Income and Expenditure Account. A reconciliation between the outturn figures and the net operating expenditure on the Income and Expenditure Account had therefore been prepared and was attached at Appendix 1 for information.

The Chief Accountant highlighted the main changes arising from the 2008 Statement of Recommended Practice, which would impact primarily on the layout of the balance sheet with corresponding entries required to the Income and Expenditure Account where necessary:

- Changes to the Authorised for Issue date used in the accounts to reflect changes to the accounts for post balance sheet events and changes as a result of errors in the accounts.
- Changes to the disclosure of FRS 17 information relating to pensions.
- Changes to the terminology used to describe deferred charges. That would only affect the disclosure note to the balance sheet.

As part of the Council's training programme, Sector Consultants had provided a training session to Members on 16 June on the Role of the Audit Committee and the Final Accounts process. Key issues and the practical implications for scrutinising the Statement of Accounts were provided.

The Annual Governance Statement which formed part of the Annual Statement of Accounts was presented at Appendix 2 to report CORP.23/09. It was a requirement of the 2008 SORP that the Annual Governance Statement be considered and approved separately by the Audit Committee.

The Chief Accountant then drew Members' attention to the key issues within the Statement of Accounts.

The Chief Accountant informed Members that, following the finalisation of the quality review process on the draft Statement of Accounts issued to Members, it had been necessary to amend certain elements of the 2008/09 Accounts. Accordingly an Addendum to the report had been circulated prior to the meeting. In addition, certain other minor amendments had been identified and a full set of accounts would be circulated to Members prior to the special Council meeting on 29 June 2009.

The Director of Corporate Services suggested that the Committee authorise the Chairman and herself to liaise over any further changes necessary to the Accounts prior to their submission to the City Council. That course of action was agreed, with the proviso that details of the changes be e-mailed to Members of the Committee on a daily basis.

RESOLVED – (1) That the Director of Corporate Services be authorised to liaise with the Chairman of the Audit Committee regarding any further amendments to the Statement of Accounts prior to their submission to Council; and that details of those amendments be circulated to Members of the Committee on a daily basis.

(2) That, subject any to further amendments identified, the Audit Committee endorse the 2008/09 Statement of Accounts for recommendation to Council, noting that the Statements would then be subject to audit.

(3) That the Annual Governance Statement appended to report CORP.23/09 be approved.

The Chief Accountant submitted the following reports for information:

(a) Provisional General Fund Revenue Outturn 2008/09

Report CORP.14/09 summarising the provisional outturn for the General Fund revenue budget and providing reasons for variances. The outturn showed that the net underspend for Council services as at 31 March 2009 was £3,577,380, of which £2,351,192 related to additional income achieved from in year budget initiatives; and £1,226,188 related to directorate underspends. Requests had been made to carry forward committed expenditure of £1,005,600 which, if approved, would result in an underspend of £2,571,780.

The Executive and Corporate Resources Overview and Scrutiny Committee had considered the matter on 1 and 9 June respectively and the decisions were set out in Minutes EX.113/09 and CROS.71/09(a).

(b) Provisional Capital Outturn 2008/09 and Revised Capital Programme 2009/10

Report CORP.15/09 summarising the 2008/09 provisional outturn for the capital budget and providing details of the revised capital programme for 2009/10. The outturn showed that the net underspend for Council services as at 31 March 2009 was £4,073,532. Requests were made in the report to carry forward committed expenditure of £4,071,000 which, if approved, would result in an underspend of £2,532.

The Executive and Corporate Resources Overview and Scrutiny Committee had considered the matter on 1 and 9 June respectively and the decisions were set out in Minutes EX.114/09 and CROS.71/09(b).

The Director of Corporate Services cautioned that, if the City Council decided not to approve the carry forwards identified, there would be a 'knock on' effect on the Statement of Accounts.

RESOLVED – That, subject to the element of risk identified by the Director of Corporate Services, reports CORP.14/09 and CORP.15/09 be noted.

AUC.41/09 TREASURY MANAGEMENT OUTTURN 2008/09

The Treasury and Insurance Manager submitted the Annual Report on Treasury Management (CORP.13/09). He informed Members that the report was required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 01 January 2009 - 31 March 2009 was also submitted. He drew Members' attention to the significant development in the Money Markets over the previous 12 months and their effect on the Council's investments. He also drew Members' attention to the various performance statistics included within the report.

The Executive and Corporate Resources Overview and Scrutiny Committee had considered the matter on 1 and 9 June 2009 respectively and the decisions were set out in Minutes EX.115/09 and CROS.71/09(c).

The Chairman commented that Members had received training on Treasury Management as part of the training provided on 16 June 2009. Handouts were available for any Members who had been unable to attend that session.

In response to a question, the Treasury and Insurance Manager said that the provision of regular reports on Treasury Management would enable the Committee to build up an element of expertise on the matter.

The Senior Audit Manager (Audit Commission) informed Members that the Commission had indicated that it would be undertaking a specific review of Treasury Management, which was being piloted this week.

The Director of Corporate Services had anticipated that the Audit Commission would undertake such a review, the outcome of which would be reported to the Committee. She outlined the democratic process followed in respect of Treasury Management reports, emphasising the need to be specific as to the remit of the Audit Committee in that regard.

Members recognised the importance of the role of the Treasury and Insurance Manager to the financial well being of the Council and wished to place on record their thanks and appreciation for his work and professionalism over the past year.

The Treasury and Insurance Manager then responded to Members' questions.

RESOLVED – (1) That the Committee welcomed the submission of report CORP.13/09.

(2) That the Director of Corporate Services be requested to submit reports updating Members on Treasury Management to future meetings of the Committee.

(3) That the Audit Committee wished to place on record its appreciation and thanks for the work undertaken by the Treasury and Insurance Manager, which contributed significantly to the financial well being of the authority.

**AUC.42/09 TREASURY MANAGEMENT – ACTIONS ARISING FROM
'RISK AND RETURN', THE AUDIT COMMISSION'S
REPORT ON ENGLISH LOCAL AUTHORITIES AND THE
ICELANDIC BANKS**

The Treasury and Insurance Manager reported (CORP.11/09) on a report prepared by the Audit Commission entitled Risk and Return regarding the collapse of the Icelandic banking system and its implications for Treasury Management in English Local Authorities. He set out for Members the background to the report and the requirement for all Local Authorities to adopt the CIPFA code on Treasury Management.

The Treasury and Insurance Manager highlighted the various recommendations which had been included in the report that related to Local Authorities together with comments relating to the position within Carlisle City Council opposite those various recommendations. He added that whilst the final outcome of the Icelandic banking crisis, as it affected the Local Authorities which placed money in Iceland, would not be known for some time, there were clearly lessons to be learned for all Local Authorities.

The Treasury and Insurance Manager added that the overall conclusion of Risk and Return was a positive one for Local Government in general, with the proportion of money at risk being small and with ample evidence that the sums being invested in Icelandic institutions were being reduced. Only a handful of authorities had been judged to be negligent in their actions and whilst there was no room for complacency, these factors should not be ignored. As far as the City Council was concerned the recommendations of the Audit Commission had been addressed in the report.

Treasury Management had been low profile in terms of the Audit Commission's activities in previous years. It was, however, a high risk area and he expected the Audit Commission to give this a higher profile in future years.

The Chairman then outlined, for the benefit of the new Members of the Committee, the action currently being taken by the City Council in terms of the recommendations for local authorities contained in 'Risk and Return'.

In response to questions on the role of external advisers, the Director of Corporate Services said that advisers had taken on board the criticism levelled at them and Sector (the City Council's treasury advisers) was developing a risk based tool. It may be possible to invite Sector to advise on risk associated to Treasury Management as part of the next Member training session. The Treasury and Insurance Manager added that companies such as Sector were charged with providing the best advice to their clients and a contract was signed by both parties to that end.

Further to questions regarding the potential for the early repayment of loans, the Treasury and Insurance Manager explained that specialist advice would be required. It was not opportune to consider making early repayment at this time, but the option of redeeming the one substantial loan that the authority still had on its books was kept under constant review.

Referring to the recent training event, a Member commented upon the need to be aware of Members' commitments when arranging future training dates. The Director acknowledged the difficulties around arranging dates convenient to all. One issue was that the membership of the Committee for the 2009/10 municipal year had not been known until Annual Council in May.

Members noted that the option for economies of scale by sharing of resources between authorities would be looked at, possibly via the Cumbria Chief Financial Officers' Group. The Director advised that CIPFA was looking at joint working and the sharing of expertise.

RESOLVED – (1) That report CORP.11/09 be received and welcomed as a broad endorsement of the current level of practice and performance in local authority treasury management.

(2) That the recommendations in 'Risk and Return' relating to local authorities (paragraph 3 refers) be noted and agreed.

**AUC.43/09 TREASURY MANAGEMENT – ACTIONS ARISING FROM
THE HOUSE OF COMMONS SELECT COMMITTEE’S
REPORT ON LOCAL AUTHORITY INVESTMENTS**

The Treasury and Insurance Manager submitted report CORP.26/09 on a report prepared by the House of Commons Select Committee on Communities and Local Government entitled ‘Local Authority Investments’ which covered similar ground and reached similar conclusions to ‘Risk and Return’ considered at Minute AUC.42/09 above. He set out for Members the background to the matter which had resulted in a report which complemented and added to ‘Risk and Return’.

He explained that the report raised, in particular, questions relating to the role played by the various firms of treasury advisers who, between them, had contracts with the vast majority of local authorities. There were aspects of the report which did not make comfortable reading for the advisers. In national terms, the Audit Commission too had been criticised for its approach to the treasury management function and the extent to which it could be at risk through the impact of external events. Members’ attention was drawn to the conclusions and recommendations of ‘Local Authority Investments’ which were reproduced in full in the appendix to CORP.26/09.

The Treasury and Insurance Manager further commented on the conclusions and recommendations of ‘Local Authority Investments’.

Guidance from CIPFA noted that it was open to an authority to appoint someone other than an elected Member and from outside the authority either to serve on or to chair the Audit Committee. The Chairman asked that a report be brought forward on that issue for consideration by the Committee.

RESOLVED – (1) That report CORP.26/09 be received and welcomed as a further broad endorsement of the current level of practice and performance in local authority treasury management.

(2) That the conclusions and recommendations in ‘Local Authority Investments’, as discussed in paragraph 3 of report CORP.26/09, be noted and agreed; and the recommendation that the Audit Committee should embrace within its Terms of Reference specific responsibility for the scrutiny of the treasury management function be accepted.

(3) That the Director of Corporate Services be requested to prepare a report on the potential for co-option of external members to the Audit Committee for consideration at a future meeting.

AUC.44/09 AUDIT SERVICES PROGRESS REPORT

The Head of Audit Services submitted report CORP.20/09 summarising the work carried out by Audit Services since the previous report to Committee on 8 April 2009.

The final reports on the Audits of Improvement Grants; ICT Security Policy; Main Accounting and Budgetary Control; NNDR and Refuse Collection were appended to the report.

Work had also commenced on a number of other reviews and the final reports would be presented to Members in due course.

Follow-up reviews had been undertaken where appropriate during the period covered by the report and there were no new issues which needed to be drawn to Members' attention.

The Head of Audit Services reminded Members that the Committee had on 14 January 2009 (Minute AUC.10/09) requested Officers to investigate further whether Members' claim forms should be required to be signed by an authorised signatory. It had been agreed that the budget and responsibility for authorisation be passed to People, Policy and Performance and that would be progressed shortly.

In addition, report CORP.28/08 submitted to Committee on 23 June 2008 advised that little progress had been made in respect of the "MASS" database in relation to Fixed Assets. The matter was further reported in September 2008 (CORP.48/08) and it was agreed that the situation would continue to be monitored by Audit Services, with developments reported to the Committee in due course.

The Executive had, on 16 February 2009, asked the Head of Financial Services, and the Head of Economy, Property and Tourism Services to prepare a progress report for the relevant Portfolio Holders. Requirements for the full property database would be progressed as part of the Transformation Programme. In the meantime, the Council had placed an order to purchase the Real Asset Management System that would allow it to record fixed asset information for capital accounting purposes, to satisfy the immediate accounting requirements.

Following an earlier Audit review it was agreed that there was a need to enhance the role of the External Funding Officer (EFO) (CORP.48/08). The Executive had also asked for a progress report on the matter, which would also be progressed under the Transformation Programme.

The Head of Audit Services informed Members that the NWDA had agreed to fund an external assessment of the management of external funding, processing of claims, etc which would be used to inform any decision on how the role of the EFO should work in future. Once agreed the information would be posted onto the NWDA website and invitations sought from consultants on the NWDA panel. No timetable had yet been set for that work.

Members were impressed by the level of detail contained within the report and felt reassured by the monitoring system in place within Audit Services, particularly regarding Waste Collection.

RESOLVED – (1) That report CORP.20/09 be received.

(2) That the Infrastructure Overview and Scrutiny Committee be advised that the Audit Committee had monitored the matters / recommendations arising from the Audit of Refuse Collection.

AUC.45/09 AUDIT SERVICES OUTTURN REPORT 2008/09 AND INTERIM REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES

The Head of Audit Services submitted report CORP.21/09 summarising the work carried out by Audit Services relating to the effectiveness of the service during the period 1 April 2008 to 31 March 2009. Details of achievement against the Audit Plan for 2008-09 were also provided.

By way of summary, the Head of Audit Services reported that 83% of all audited systems had been assessed as “reasonable” or “substantial”. He also outlined other work undertaken during the year, which did not result in formal reports. No significant staffing issues had arisen in that time.

In terms of the adequacy and effectiveness of internal control during 2008/09, the only issues to which it was necessary to draw Members’ attention related to the MASS database for fixed assets, the role of the External Funding Officer and the authorisation of Members’ expenses claims.

The Head of Audit Services summarised the background to the review of the effectiveness of Audit Services, pointing out that the CIPFA Finance Advisory Network recommended that a full review be undertaken every three years, with a “light touch” in the intervening years. It was therefore considered and agreed by the Committee that the next full review should be undertaken and presented to Members in June 2010. The current report therefore represented the “light touch” for 2008/09.

He added that, because of the differing definitions of “effective time” used by other authorities, no meaningful comparison could be made. Audit Services achieved an overall rating (based on its own method of measurement) of 65.7% (net chargeable time) for 2008/09, the figure for 2007/08 being 63%.

He further advised that Officers were providing an Audit Service significantly below average cost compared to all other participating Shire Districts.

RESOLVED – That report CORP.21/09, including progress made against the Strategic Plan, be noted and accepted as the “light touch” previously defined and agreed.

AUC.46/09 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Audit Services submitted report CORP.22/09 appraising Members of progress made on the Annual Governance Statement Action Plan.

An updated Action Plan was attached which, in accordance with established practice, would be monitored and the updated status reported to Members at each meeting of the Committee. Members' attention was drawn to item 2 (ensure that the National Officer Code of Conduct was adopted in due course) which had been identified in the Annual Governance Statement as significant.

By way of an update, the Director of Legal and Democratic Services advised that it was his understanding that Regulations had been produced. A level of control was already in place in terms of the Council's Financial Procedure Rules; Constitution; Fraud Prevention Policy, etc.

The Head of Audit Services added that there were no new areas of risk arising from the Audit reviews or the Risk Registers which needed to be drawn to Members' attention.

Members recognised that the establishment of robust arrangements for partnership working and governance of Carlisle Renaissance had come forward as a result of the good work undertaken by Overview and Scrutiny and enhanced by this Committee.

RESOLVED – That, subject to the issues raised above, the Annual Governance Statement Action Plan and current position relating to each of the areas identified be agreed.

[The meeting ended at 11.09 am]