

AUDIT COMMITTEE
Monday, 21st April 2008

PRESENT – *Councillor Browne (in the Chair); Councillors Hollern, Barry and Lee.*

ALSO PRESENT

Denise Park	– Director of Financial Services
Brian Bailey	– Director of Programmes and Governance
Jim Barwise	– Head of Internal Audit, Insurance & Administration
Phil Jones	– Head of Service (Risk & Safety)
John Addison	– Scrutiny Officer

APOLOGIES – *Apologies were received from Councillor Harling and the Strategic Director Resources*

RESOLUTIONS

27 Minutes of the meetings held on 16th January 2008

The minutes of the meeting held on the 16th January 2008 were agreed as a correct record.

28 Declarations of interest

There were no declarations of interest.

29 Annual Audit & Inspection Letter 2006/07 & the Council's response

The Committee received the Annual Audit & Inspection Letter for 2006/07, together with the Council's response to the recommendations in the letter.

Members were informed that the District Auditors were unable to attend the meeting, with Members agreeing that the item be deferred until the Committee's next meeting.

RESOLVED:

That the Annual Audit & Inspection Letter and the Council's response be deferred until the Committee's next meeting.

30 Internal Audit's Strategy & Plan for 2008/09 & Progress on the Structure

The Head of Internal Audit, Jim Barwise, submitted the Internal Audit Strategy for 2008/09 and the Internal Audit Plan 2008/09. The report also contained an update on the progression which included a new Internal Audit Structure for the commencing financial year.

Together, the Strategy and the Plan defined the scope and reasoning behind the approach being adopted by Internal Audit. Overall, the objectives are:

- To fulfil Internal Audit's own statutory obligations;
- To provide assurance, support and advice to Directors on matters under their control (This will include regular meetings with Directors to consider progress, Internal Audit's outcomes and matters of concern to them and their staff.);
- To support the Strategic Director Resources in his fulfilling his obligations under Section 151;
- To report to the Committee on governance arrangements as part of its role in assessing the system of internal control
- To contribute, as part of the Resources Directorate, to the development of corporate standards.

It was reported that the Strategy included new influences and developments and their impact on both the Plan itself and the skills requirements for staff. The Strategy also covered the major emerging issues on the Council's agenda and the need to contribute to them at the early stages. It was noted that this was part of the continuing development of governance generally within the organisation.

Members were informed that the planned resources for the core audit function for the year were 1,400 work-days. It was noted that this was markedly more than the 925 work-days delivered in 2007/08 but was based on the assumption that an almost full establishment would only be in post at the end of September 2008. The Committee was reminded that until a full establishment was achieved, Internal Audit's ability to adequately meet its statutory responsibilities would be greatly challenged.

As part of the development of business continuity management, Members were asked to approve the exploration of possible partnering arrangements with an outside provider. The purpose of this would be to bolster resources should there be a shortfall in staff numbers in the

future whilst ensuring, as fully as possible, that value for money was being achieved.

RESOLVED:

That the Committee agreed to:

- 1) Approve the new year Strategy.
- 2) Approve the 2008/09 Plan.
- 3) Note that reports dealing with both progress against the Plan and the outcomes achieved will be submitted to each meeting
- 4) Note that major changes to the Plan will be reported
- 5) Approve, in view of the continuing resource problems facing Internal Audit, exploring the possible development of a partnering arrangement with a suitable external organisation to allow it to obtain resources to supplement its own when it has recruitment difficulties.

31 Internal Audit's Progress v plan for the Last Quarter of the Year

The Head of Internal Audit submitted a report which updated the Committee on progress against the Internal Audit Plan 2006/07 in terms of outcomes achieved for the final quarter of the financial year.

Members were reminded that it had been reported at the January Committee the available work days for the year, were estimated at 975 days. By combining the resources available internally with resources bought in, a total of approximately 920 days work was undertaken during the year.

The Head of Internal Audit informed the Committee of the outcomes achieved in the fourth quarter, which included:

- *Building Schools for the Future*
- *Capita Partnership Governance*
- *Financial Management Standard in Schools*
- *Fundamental Systems*
- *Grants*
- *Partnership governance*
- *Major Capital Projects*

RESOLVED:

That the Committee note the outcomes achieved by Internal Audit in the last quarter of 2007/2008.

32 External Audits Work in 2007/2008

The Council's District Auditors provided the Committee with a report on their work for the March Quarter 2007/2008.

Members were reminded that the District Auditors were unable to attend the meeting, with Members agreeing that the item be deferred until the Committee next meeting.

RESOLVED:

That the report on External Audit's Work in 2007/2008 be deferred until the Committees next meeting.

33 Management Actions – Progress

The Head of Internal Audit submitted a report which updated the Committee on progress to date on management actions agreed in both the SIC for 2006/2007 and External Audit's reports of the last twelve months.

Members were informed that the purpose of the report was to bring more attention to Members with regards to progress on agreed actions so that problem areas could be identified and that appropriate actions to correct these problems could be defined.

RESOLVED

That the Committee note the progress that is being made on the management actions agreed.

34 Public Private Partnership – Report on Governance Arrangements

The Head of Internal Audit provided the Committee with a report that outlined the key outcomes from Internal Audit's review of the Partnership's governance arrangements after the 5-year review.

Members were informed that the 5-year review was virtually completed and that the governance arrangements for the partnership had been highlighted as needing improvement by External Audit's reports over the last few years.

The report outlined Internal Audits high priority recommendations and agreed management actions. The key points were:

- key performance indicators and the new service schedules are in place as soon as possible
- monitoring and progress reporting through the governance structure to the Executive Board are maintained
- internal client management arrangements are defined as soon as possible
- clear plans for validating the data quality are established as also are reporting arrangements where there are failings
- VFM arrangements must be defined
- Governance arrangements need to be linked to the Council's overall arrangements
- Progress against the action plan needs to be monitored on a regular basis.

Members were informed that the actions would be reviewed in reports to the Audit Committee throughout the year and Internal Audit would be carrying out regular follow-ups on the agreed actions.

RESOLVED

That the Committee note the agreed action plan, contained in the report and that progress would be monitored and reported to the Committee over the coming months.

35 Management Accountabilities Framework and Annual Governance Statement - Progress

The Director for Programmes & Governance provided Members with a report on the progress of Management Accountabilities Framework (MAF) and the Annual Governance Statement

Members were informed that MAF had now been completed for three quarters and the returns for quarter 4 were due to be submitted in early May. The main points reported from the third quarter's returns were:

- Capita's substantial involvement for the first time.
- Performance Indicators that appear as "red" in the Performance Management report were also noted in MAF reports.
- Not all MAF reports show transaction testing being carried out by managers and this non-testing is not challenged at DMT/SLT level.
- Links to strategic objectives are not always shown in reports.
- Business Continuity Planning is an area that generally still needs to be developed.

- Major projects are not always covered by MAF reports.
- Challenge processes in Departments need a better structure.

Members were informed that MAF greatly supported the evidence gathering for the Annual Governance Statement. It was reported that the statement was a statutory document that must be produced in accordance with a time-table and which required the signatures of both the Leader of the Council and the Chief Executive.

It was further reported that MAF had greatly simplified the information gathering process for the Annual Governance Statement, with a few exceptions, there were no year-end questions to be answered and due to MAF's quarterly nature, the evidence provided was more substantial.

RESOLVED

That the Committee note the continuing progress of and the developments in the MAF process and the steps for producing the Annual Governance Statement.

Signed
Chair of the meeting at which the Minutes were signed
Date