

AUDIT COMMITTEE
Wednesday, 21st April 2010

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

ALSO PRESENT

Mike Tye	– Audit Manager, District Audit
Clive Portman	– District Auditor
Denise Park	– Strategic Director for Resources
Liz Hall	– Director for Financial Services
Jim Barwise	– Head of Audit & Assurance
Paul Hankinson	– Audit & Assurance Manager
David Fairclough	– Director of HR
Phil Jones	– Head of Risk and Safety
Colin Ferguson	– Audit and Assurance Manager
John Addison	– Scrutiny Officer

APOLOGIES – *Apologies were received from Councillor Wright.*

RESOLUTIONS

37 Minutes of the meetings held on 20th January 2010

The minutes of the meeting held on 20th January 2010 were agreed as a correct record.

38 Declarations of interest

There were no declarations of interest.

39 External Audit's Progress

The Council's External Auditors provided the Committee with a report on the current position of their work as of April 2010. The report set out in detail work that had been undertaken and a timetable of work to be undertaken during the rest of the year.

RESOLVED:

That the report on External Audit's progress report be noted.

40 External Audit's report on the audit of grants in 2008/09

The Council's External Auditors provided the Committee with a report on the Audit of grants in 2008/09. The report outlined certification of claims, significant findings and actions for the Council to take.

The report highlighted that the External Auditors had been able to place reliance on the Council's control environment in auditing the claims for 2008/2009. It was noted that the arrangements the Council had in place for the production of its grant claims were generally good. There were robust liaison arrangements in place with officers in the Corporate Finance Department. The External Auditors worked closely with officers to identify relevant claims and agree timescales for the audit of the claims to enable certification deadlines to be achieved.

RESOLVED:

That the report on External Audit's report on the audit of grants in 2008/09 be noted.

41 Audit Opinion Plan

The Council's External Auditors provided the Committee with a report on the Audit Opinion Plan. Members were reminded that in the External Audits initial audit fee letter for 2009/10, they had outlined the work that they proposed to undertake in order to satisfy their responsibilities under the Audit Commission's Code of Audit Practice.

It was reported that the External Auditors were required by professional auditing standards to specify the detailed risks that they needed to consider as part of their opinion audit work. It was noted that they had now completed their work in relation the Council's 2008/09 financial year and were able to set out in detail the risks and associated audit work that they propose to undertake in relation to 2009/10.

It was reported that for the 2009/10 opinion audit they were required to:

- Identify the risk of material misstatements in your accounts;
- Plan audit procedures to address these risks; and
- Ensure that the audit complies with all relevant auditing standards.

The report also set External Audits approach to identifying opinion audit risks and the work which was planned to address the risks which had been identified.

RESOLVED:

That the report on External Audit's report on the Audit Opinion Plan be noted.

42 Work Programme and Scales of fees 2010/2011

The External Auditors provided Members with a copy of their work programme and scales of fees 2010/2011, setting out the audit and inspection work they proposed to undertake for this financial year and the fee associated with the work.

RESOLVED:

That the report on External Audit's report be noted.

43 International Financial Reporting Standards

The Head of Corporate Finance presented to Members an update and progress report on International Financial Reporting Standards. Members were reminded that a report was taken to the Audit Committee in April 2009 outlining the requirement to adopt International Financial Reporting Standards (IFRS) for local authority accounting statements from 2010/11 onwards.

It was reported that over recent years, accounts had undergone a number of changes as Council's had moved towards the adoption of UK Generally Accepted Accounting Practices (UK GAAP). Many of the IFRS requirements were similar to those in UK GAAP, but there were some fundamental changes in some areas:

- Treatment of leases, and of "quasi-leases" embodied within service contracts, including Private Finance Initiatives,
- Classification of assets,
- Accounting for individual components within assets,
- Accruals for holiday and other employee benefits not used within the financial year
- Compliance by other entities within the Group accounts.

Members were informed that some of these changes could impact significantly upon the amount of expenditure chargeable against Council Tax and that the Government had also introduced measures to allow certain accounting transactions to be "reversed out" in order to avoid an impact on taxation.

It was reported that a considerable amount of work had already been undertaken to prepare the Council, however it was not as far ahead as it would like at this stage, due to a number of reasons. Consequently, additional financial resources have now been provided for the project team to employ a temporary accountant to assist the current Finance Manager.

RESOLVED:

1. To note the progress to date.
2. To agree the project plan for achieving closure of the 2010/11 statement of accounts.
3. To confirm that this work should remain a high corporate priority, and to request Executive Members and Directors to ensure that sufficient financial and other resources are identified in order to achieve a successful outcome.

44 Treasury Management

The Head of Corporate Finance provided the Committee with a follow up report on Treasury Management.

Members were reminded that the Council had formally adopted the revised Code of Practice on Treasury Management in Public Services when approving the 2010/11 Treasury Management Strategy at Finance Council on 1 March 2010. It was reported that the Code, Investment Guidance issued by the Department for Communities and Local Government (CLG) and the 2009 Audit & Assurance review of Treasury Management activities, all recommend an enhanced role for elected Members in scrutinising the Treasury Management function of the Council.

The report summarised the interest rate environment from December 2009 to February 2010, borrowing and lending transactions undertaken and the Council's overall debt position. It also reported on the position against the Prudential Indicators established by the Council for the year.

RESOLVED:

That the Committee note the position with regard to Treasury Management over the quarter from December 2009 to February 2010.

45 Risk Management - Business Continuity Plans

Head of Service Risk & Safety presented to the Committee an update report on Business Continuity Plans. The report followed on from the last Audit Committee at which Members indicated their concerns around a number of department Business Continuity Plans not being formally updated.

The report provided an overview of Business Continuity Planning arrangements that are in place across the authority including which departments had and had not provided Business Continuity Plans.

Members were please with the report and held discussions around the Council's IT Department, the new data centre and acceptable levels of service provision.

RESOLVED:

That the Committee note the report.

46 Data Protection Breaches – Update

The Head of Audit & Assurance provided Members with an update regarding the progress to date in implementing the recommendations contained in the report and action plan relating to the data protection breach at Jubilee House in June 2009.

The Committee was reminded that the details of the break in at Jubilee House in June 2009 were reported to Members at the Audit Committee meeting in September 2009. The report included a number of recommendations and agreed management actions.

It was noted that the Council had statutory obligations to protect any personal data that it holds. It was reported that the Council can never guarantee that future breaches would not occur, but the actions flowing from the breaches had served to ensure that risks are more fully understood, at all levels, and that more effective controls were applied universally.

RESOLVED:

That the Committee note the progress of the agreed actions to implement the recommendations made in the report.

47 Audit & Assurance Last Quarter progress

The Head of Audit & Assurance presented a report to Members outlining what had been achieved by Audit & Assurance in the twelve months to 31st March 2010.

The detailed report from the Head of Audit & Assurance informed the Committee of the outcomes achieved in the previous 12 months, which included:

- Counter fraud

- Information Governance
- Management Accountabilities Framework
- Corporate and Departmental Systems
- Audit and Assurance Performance

RESOLVED:

That the Committee note the outcomes achieved to 31 March 2010 against the 2009/10 Strategic Audit Plan.

48 Audit & Assurance Progress against Audit Commission Action Plan

The Head of Audit & Assurance reported to the Committee the progress to date of implementing the Modernisation Programme.

Members were reminded that the Audit Commission's report to the September meeting of this Committee included an agreed action plan, which set out what Audit & Assurance would do in the following 6 months to ensure that it met the standards of the CIPFA Code of Practice for Internal Audit.

The latest report from the Head of Audit & Assurance set out the progress achieved in the last 3 months and what work was still to be developed in the next few months.

RESOLVED:

That the progress achieved in the March quarter be noted.

49 Audit & Assurance Plan for 2010/11

The Head of Audit & Assurance provided Members with a report informing the Committee of the planned Audit and Assurance work for the new financial year and of the strategy on which it was based.

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 Audit & Assurance's (A&A) own statutory obligations;
- To set out the Audit Universe from which the Annual Plan's coverage is drafted;
- To provide assurance, support and advice to Directors on matters under their control;
- To support the Section 151 Officer's statutory obligations;
- To report to the Committee on governance arrangements as part of its role in assessing the system of internal control;

- To report compliance with the CIPFA Code of Internal Audit Practice
- To contribute, as part of the Resources Directorate, to the development of corporate standards.

RESOLVED:

That the Committee:

1. Approve the Strategy (as set out in Appendix A)
2. Approve the 2010/11 Plan (as set out in Appendix B)
3. Note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting
4. Note that Plan changes will be reported during the year.

50 BT and IT

At this point in the meeting Members were advised that the meeting had to move to Part 2 as the report from the Strategic Director for Resources was not for publication by virtue of paragraphs 1 and 4 of Part 1 of schedule 12a of the Local Government (access to information) (variation) order 2006.

RESOLVED – That the press and public be excluded from the meeting for the following item of business by virtue of Part 1 of schedule 12A local government act 1972

Members considered and discussed the report on the BT and IT Department following which it was-

RESOLVED – That the meeting move back to Part 1.

It was proposed by Councillor Browne and seconded by Councillor Rigby:

“That, where appropriate, an update on progress in respect of each of the recommendations outlined in the management action plan attached to the report now considered in Part 2 be submitted to the Audit Committee at its meeting in June, in Part 1 where it is possible to do so with more generic recommendations that need not remain confidential.

On being put to the vote, 3 Members voted for the proposal and 2 voted against, upon which the Chairman declared the motion to be carried.

Councillor Harling requested that his displeasure be recorded that a future Part 1 report was not being submitted to another forum. Councillor Hollern added that large elements of the report could be discussed with a

larger audience and that she had extreme concern about the lack of information from officers on this issue

RESOLVED:

- 1) That the report from the Strategic Director for Resources be noted.
- 2) That, where appropriate, an update on progress in respect of each of the recommendations outlined in the management action plan attached to the report now considered in Part 2 be submitted to the Audit Committee at its meeting in June, in Part 1 where it is possible to do so with more generic recommendations that need not remain confidential.

51 Higher croft

At this point in the meeting Members were advised that the meeting had to move to Part 2 as the report from the Head of Audit & Assurance was not for publication by virtue of paragraphs 1 and 4 of Part 1 of schedule 12a of the Local Government (access to information) (variation) order 2006.

RESOLVED – That the press and public be excluded from the meeting for the following item of business by virtue of Part 1 of schedule 12A local government act 1972

Members considered and discussed the report on Higher Croft following which it was-

RESOLVED –

- 1) That the meeting move back to Part 1.
- 2) That the Committee wish to speak with Officers from Children’s Services, Capita and the Executive Member for Children’s Services at the Committees June 2010 meeting to explain their position, involvement and processes used.

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