

MINUTES OF THE AUDIT COMMITTEE

16 SEPTEMBER 2010

Present:

Councillor M.T. Royer (Chairman)

Councillors:

L.E. Nichols

S.J. Rough

H.A. Thomson

Apologies: Councillors H.R. Jaffer and Mrs C. Spencer, and Councillors L.E. Nichols and S.J. Rough for their late arrival.

287/10 ADJOURNMENT OF MEETING

Due to the late arrival of some members of the Committee, the Chairman proposed to delay the start of the meeting by 30 minutes to facilitate their arrival and participation in discussion of the agenda items.

RESOLVED to adjourn the start of the meeting by 30 minutes.

288/10 MINUTES

The minutes of the meeting held on 24 June 2010 were approved as a correct record.

In relation to Minute 200/10, Resolution 3, regarding inclusion of the Annual Governance Statement (AGS) on the work programme for further discussion, the Head of Audit Partnership explained that all the reports and issues the Committee had discussed throughout the year, fed into the AGS. She offered to make the set of matrices, which are produced by CIPFA/Solace and used to assess the Council's position against set criteria for the Code of Corporate Governance, available to the Committee. The Committee agreed that it would assist their consideration of the AGS to see these matrices.

The Head of Audit Partnership further explained that the annual review of the Code of Corporate Governance would be considered at a future meeting of the Overview and Scrutiny Committee.

The Committee agreed to receive the report on the review of the Code of Corporate Governance together with the updated matrices, before their consideration of the AGS at the June 2011 meeting.

RESOLVED that the report on the review of the Code of Corporate Governance and the updated matrices, be included on the work programme for the March 2011 meeting of the Committee.

289/10 EXTERNAL AUDIT REPORT ON 2009/10 AUDIT AND STATEMENT OF ACCOUNTS

The Chief Finance Officer reported that external auditors appointed by the Audit Commission, KPMG, were required, in accordance with international auditing standards, to report annually to the Council on:

- Their opinion on the Statement of Accounts
- Any uncorrected items in the Statement of Accounts
- Qualitative aspects of the Council's accounting practices and financial reporting
- The Annual Governance Statement
- Their annual Value for Money conclusion

They also reported annually on their audit of the Council's accounting and internal control systems.

He gave an update on the recommendation at page 22 of Appendix C to the External Auditors' report in relation to access rights of users of financial systems. An annual review of access rights was agreed at the meeting of the Council's Information Security Review Group on 9 September 2010 and an updated response would therefore be issued to this recommendation.

Andy Sayers, on behalf of KPMG presented the report and responded to Members' questions. He thanked officers and members for their assistance throughout the year.

The Chairman commented to KPMG on the level of feedback given on the Use of Resources assessment, for which the Council was charged a considerable amount of money. He particularly made reference to the issues arising identified on page 17 of their report which reflected issues Council officers had identified in the Annual Governance report and which this Committee had considered at its June 2010 meeting. Similarly, he remarked that the issue arising on page 18 reflected an issue the Internal Audit team had already flagged to the Committee. He asked Andy Sayers to comment on whether he felt the Council had obtained value for money on the use of resources work it had paid for.

Andy Sayers responded on behalf of KPMG that they had already completed the majority of the work on Use of Resources (UoR), when the Government abolished Comprehensive Area Assessments, to which this work was related. He added that much of the work that had been done in this area had been used in giving the "value for money conclusion", as the criteria for this were the same as the UoR Key Lines of Enquiry.

In response to a question from a member on suspense and holding accounts, the Chief Finance Officer advised that the management response to the recommendation on this issue, set out in Appendix C, was that the Chief Accountant would review the suspense accounts in the autumn. He agreed that following this review, the Chief Accountant would be asked to provide a list and brief description of all such accounts.

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In response to a question from a member on the implementation of International Financial Reporting Standards (IFRS), the Chief Finance Officer advised that he would arrange a training session for Audit Committee members prior to the June 2011 Audit Committee meeting. The training would include an explanation of the impact of the changes and provide a comparison of the accounting figures under the current and the new regimes. He also advised that an update report on progress with implementing IFRS would be included in the Committee's work programme for its March 2011 meeting.

The Committee was concerned that the issue raised by KPMG in Appendix C relating to Frontier Access Rights had remained unresolved in spite of being known about for some time. The Committee requested an update on this matter prior to the next Committee meeting but if it should remain unresolved that the Human Resources Manager be asked to attend the next meeting to explain the reason.

The Chief Finance Officer responded to questions from Members on the Statement of Accounts and agreed to circulate the following information to the Committee:

- Reports from the actuaries on the Council's pension liability as and when they became available;
- An explanation for the increase in Council Tax income from 2008/09 to 2009/10 shown in the cashflow statement;
- Correspondence from the actuary justifying his assumption of the rate of increase in salaries and
- A breakdown of the revenue expenditure funded from capital under statute, with the exception of that related to General Fund Housing Services.

RESOLVED:-

1. That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to sign the draft letter of representation as set out in Appendix F of the auditors' report;
2. That officer responses to recommendations made in Appendix C to the External Auditor's Report be noted;
3. That the Chief Accountant be asked to provide a list and description of the suspense and holding accounts, following his review;
4. That a training session on the International Financial Reporting Standards be arranged for the Audit Committee prior to its June 2011 meeting;
5. That the Chief Finance Officer provide an update on progress with implementing the International Financial Reporting Standards, to the March 2011 meeting of the Committee;
6. That an update be provided on the review of Frontier Access Rights, prior to the next meeting of the Committee but if the matter remained unresolved the Human Resources Manager be asked to attend the next meeting to explain the reason and

7. That the Chief Finance Officer be asked to circulate additional information relating to the Statement of Accounts, as agreed.

290/10 CORPORATE RISK MANAGEMENT

The Senior Auditor reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group to ensure that actions were being taken to deal with the identified risks. Progress on actions proposed at the last review had been documented on the Register and some new actions added. One area relating to service plans had yet to be fully addressed. The revised Register was considered to be an accurate reflection of the high level risks affecting the Authority, as well as the progress made on actions previously proposed, based on audit's assessment of risk and the controls in operation.

RESOLVED that the contents of the updated Corporate Risk Register, including three new actions for improving overall risk management arrangements, be noted and accepted.

291/10 ANNUAL REVIEW OF THE SYSTEM OF INTERNAL AUDIT

The Head of Audit Partnership presented her report which demonstrated how the audit service was adding value and assisting the organisation in achieving its objectives. There were no nationally set indicators relating to this review, so the following measures had been used to provide assurance that there was an effective system of Internal Audit: meeting the aims and objectives of the Audit Plan; compliance with the CIPFA Code of Practice; external audit assessment; adding value; achievements and the Improvement Plan.

The Committee expressed their thanks to the internal audit team for the work they had done, in particular, assisting the external auditor.

RESOLVED that the Annual Review of the system of internal audit be noted.

292/10 COMMITTEE WORK PROGRAMME FOR 2010/2011

The Committee considered its Work Programme for the 2010/2011 Municipal year. Members noted that any further issues raised at this meeting would be added to this Work Programme.

RESOLVED that the Committee Work Programme for the 2010/2011 Municipal year, be approved and adopted.