

Audit Committee – 16 March 2010

Minutes of the meeting of the **Audit Committee** held on **16 March 2010** when there were present:-

Chairman: Cllr Mrs J A Mockford
Vice-Chairman: Cllr J P Cottis

Cllr Mrs J Dillnutt
Cllr K A Gibbs
Cllr T Livings

Cllr J R F Mason
Cllr S P Smith
Cllr D G Stansby

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs Mrs L A Butcher, M J Steptoe and J Thomass.

OFFICERS PRESENT

Y Woodward	-	Head of Finance, Audit and Performance Management
N Scott	-	Revenue and Benefits Manager
T Metcalf	-	Audit and Performance Manager
J Kevany	-	Principal Auditor
S Worthington	-	Committee Administrator

ALSO ATTENDING

R Bint	-	PKF
L Clampin	-	PKF
D Eagles	-	PKF

66 MINUTES

The Minutes of the meeting held on 2 December 2009 were approved as a correct record and signed by the Chairman.

67 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2008/09

The Committee considered the report of the Head of Finance, Audit and Performance Management introducing the Annual Audit Letter (AAL).

The external auditors observed that the Council had performed well under the new framework for the use of resources assessment, which covers 3 themes as set out in the report; retaining an overall score of 3 was a significant achievement. The dominant theme for next year's assessment under the Managing Resources theme will be 'workforce'; the Council gained a score of 3 in this area and was therefore in a strong position to do well next year when the Managing Natural resources theme is assessed instead.

Resolved

That the content of the Annual Audit Letter for 2008/09 be noted. (HFAPM)

68 PKF'S GRANT CERTIFICATION FOR 2008/09

The Committee considered the report of the Head of Finance, Audit and Performance Management summarising the main issues arising from the certification of grant claims for the year ending 31 March 2009.

The external auditors emphasised that, overall, the Council's claims processes were good. The most challenging area for the Authority was that around Council Tax and housing subsidy benefit claims.

Resolved

- (1) That the content of the report and the action plan be noted.
- (2) That progress on implementing the action plan be included in the monitoring report of external audit recommendations, which is regularly received by this Committee. (HFAPM)

69 EXTERNAL AUDITOR'S PLAN FOR 2009/10

The Committee considered the report of the Head of Finance, Audit and Performance Management presenting the external auditor's Audit Plan for the 2009/10 external audit work.

It was observed that the auditing fees for 2009/10, at £126,335, did not appear to deliver good value for money for the residents of the District and seemed excessive for a Council of this size. Members did not consider that there had been any increased risks to the Authority in recent years and felt that the audit function was taking too much time and effort, particularly in the current economic climate.

The external auditors advised that auditing had become far more technical over the past few years and particularly so for Local Government. PKF would, however, explore the possibility, in future reports to the Committee, of presenting key points less technically. There was inevitably a cost associated with public accountability.

Officers confirmed that it would be possible to include details of the audit fees charged by PKF in any publicity on the Council's spending for the current financial year, if that was deemed appropriate.

In response to a Member enquiry relating to the depreciation of car parks, officers advised that the methodology of valuing Council car parks had been adjusted in line with the Statement of Recommended Practice (SORP); previously this had been done on the basis of open market value, rather than

on the basis of existing use value. This was further complicated by the fact that generally the value of assets was falling due to the economic climate.

Responding to a question relating to the value associated with external auditing, officers confirmed that the Council's external audit costs were benchmarked against other Local Authority external audit costs 18 months ago and were found to be in line. The Council did not choose its external auditors; the Audit Commission advises the Council which external auditors to use. Officers confirmed that details of fees paid by other Local Authorities on external auditing would be provided at the June meeting of this Committee.

Members all concurred that the Executive should be asked to write to the Local Government Association expressing this Council's concern with the over-regulation of accounting being applied to Local Government, with ever increasing external audit fees in an economic climate where Councils' income streams were steadily decreasing and asking for the views of other Local Authorities.

Resolved

- (1) That the external auditor's planned audit work and fees for 2009/10 be noted.
- (2) That the Executive be asked to write to the Local Government Association expressing concern at increasing external audit fees in the current economic climate. (HFAPM)

70 USE OF RESOURCES JUDGMENT 2008/09

The Committee considered the report of the Head of Finance, Audit and Performance Management presenting the detailed results of the Use of Resources assessment carried out by the Council's external auditors, PKF.

In response to a Member question relating to the costs of the assessment, officers advised that the costs were £33,900, ie, one quarter of the external audit fees for the year. It was, however, reiterated that this was a Government requirement that had to be done.

Resolved

- (1) That the detailed results of the 2008/09 Use of Resources assessment be noted.
- (2) That it be noted that the recommendations will be incorporated into the Council's Strategic Improvement Plan for monitoring by the Executive. (HFAPM)

71 PKF ANNUAL GOVERNANCE REPORT 2008/09 – UPDATE OF RECOMMENDATIONS

The Committee considered the report of the Head of Finance, Audit and Performance Management drawing Members' attention to the recommendations from the 'Annual Governance Report, 2008/09'.

Resolved

That the monitoring sheets for the external audit recommendations be agreed. (HFAPM)

72 STRATEGY AND TERMS OF REFERENCE FOR INTERNAL AUDIT

The Committee considered the report of the Head of Finance, Audit and Performance Management asking Members to approve the revised strategy and terms of reference for Internal Audit.

Resolved

- (1) That the revised strategy and terms of reference for Internal Audit be approved.
- (2) That the strategy and terms of reference for Internal Audit continue to be reviewed annually as part of the Annual Governance Statement process. (HFAPM)

73 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Committee considered the report of the Head of Finance, Audit and Performance Management advising Members of the outcome of the annual review of the effectiveness of Internal Audit.

Resolved

That the satisfactory outcome of the review be noted. (HFAPM)

74 SCHEDULE OF BUSINESS FOR THE AUDIT COMMITTEE 2010/11

The Committee considered the report of the Head of Finance, Audit and Performance Management providing Members with a schedule of reports the Committee can expect to receive over the course of each financial year.

Resolved

That the schedule of business for the Audit Committee for 2010/11 be noted. (HFAPM)

75 DATA QUALITY PROGRESS REPORT

The Committee considered the report of the Head of Finance, Audit and Performance Management providing Members with an update on the progress made under the Council's data quality strategy and action plan.

Resolved

- (1) That the findings of the 2008/09 Use of Resources Assessment, which states that Rochford is "performing well" against the data quality KLOE, be noted.
- (2) That a further report on data quality be made to the Audit Committee in December 2010. (HFAPM)

76 RISK MANAGEMENT FRAMEWORK AND CORPORATE RISK REGISTER

The Committee considered the report of the Head of Finance, Audit and Performance Management summarising the progress made under the Council's risk management framework up to February 2010 and updating Members on the corporate risks faced by the Council for 2009/10.

Resolved

- (1) That the two additions to the Corporate Risk Register be approved.
- (2) That a revised corporate risk management framework and Risk Register be considered by the Audit Committee in June 2010.
- (3) That a strategic review of the corporate risks facing the Council be conducted by the Senior Management Team in the summer of 2010 prior to the start of the 2011/12 business planning cycle, with the results of the review being reported to the Audit Committee in September 2010.
- (4) That a corporate risk update be reported to the Audit Committee in March 2011. (HFAPM)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for the remaining item of business on the grounds that exempt information as disclosed in paragraph 3 of Part 1 of the Local Government Act 1972 would be disclosed.

77 AUDIT REPORT

The Committee considered the exempt report of the Head of Finance, Audit and Performance Management drawing Members' attention to completed audit investigations and providing an update of audit recommendations.

Officers drew Members' attention to the fact that audit report 15 was for 2009/10, not 2008/09, as detailed in the report.

It was noted that the final recommendation outlined in appendix 2 to the report could be deleted, as this had been implemented.

Responding to a Member enquiry relating to progress against the recommendations detailed in appendix 2 to the report, officers advised that recommendation 3 of report 9 (2009/10) might take longer than the agreed end date, as there was a need to liaise with Barclaycard.

Resolved

- (1) That the conclusions and results from the audit in appendix 1 be agreed.
- (2) That the updated information on the audit recommendations, outlined in appendix 2, be agreed. (HFAPM)

The meeting closed at 8.45 pm.

Chairman

Date

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