

Audit Committee – 30 September 2009

Minutes of the meeting of the **Audit Committee** held on **30 September 2009** when there were present:-

Chairman: Cllr Mrs J A Mockford

Cllr Mrs L A Butcher
Cllr Mrs J Dillnutt
Cllr K A Gibbs
Cllr J R F Mason

Cllr S P Smith
Cllr M J Steptoe
Cllr J Thomass

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs J P Cottis, T Livings and D G Stansby.

OFFICERS PRESENT

Y Woodward - Head of Finance, Audit and Performance Management
T Metcalf - Audit and Performance Manager
T Harper - Senior Performance Management Officer
J Kevany - Principal Auditor
S Worthington - Committee Administrator

ALSO ATTENDING

L Clampin - PKF
K Beauchamp - PKF

228 MINUTES

The Minutes of the meeting held on 10 June 2009 were approved as a correct record and signed by the Chairman.

229 EXTERNAL AUDIT OF FINANCIAL STATEMENTS 2008/09

The Committee considered the report of the Head of Finance, Audit and Performance Management on the External Auditor's report on the audit of financial statements for 2008/09.

In presenting the report, the external auditors advised that the Use of Resources regime had changed this year and was more demanding, focusing more on outputs and outcomes than during the previous year. The majority of Local Authorities who had attained a score of 3 last year in the Audit Commission's Use of Resources assessment, attained a lower score of 2 in the current year. Rochford District Council had, however, managed to retain its score of 3, which effectively puts the Council in the top 26% of Local Authorities nationally.

Responding to a Member enquiry relating to the audit identifying some non-material errors in the financial statements, the external auditors confirmed that

these largely related to technical accounting procedures, impacting on the balance sheet value of assets and not on General Fund balances. The external auditors further confirmed that anything that remained uncorrected was not significant to the accounts. Officers advised that a review of the final accounts process would be carried out and any lessons learnt from this year applied to the closure of accounts for 2009/10.

The external auditors acknowledged that an amendment should be made to the executive summary of their report, at paragraph 1.2, such that, under the use of resources data quality section of the table, the conclusion should state: "Management arrangements to ensure the quality of reported performance information are considered good". This was in recognition of the detailed use of resources judgment from the Audit Commission awarding the Council a score of 3 for data management.

Responding to a Member enquiry relating to capital accounting, officers advised that, in previous years the external auditors had not considered that the methodology of valuing Council car parks on the basis of open market value, rather than on the basis of existing use value would have any material impact on financial statements. However, in 2008/09 the capital materiality level was lower; the Council had no housing stock this year and, in addition, the national economic situation had impacted on the accounts.

Officers and External Audit confirmed that the external audit is carried out independently of the Council.

In response to a Member question about the effect of pension fund shortfalls on Local Authorities, officers advised that pension proposals due to be introduced in 2011/12 were of concern to the Council; £50,000 had been allocated in the medium term financial strategy to address the situation, but this was likely to be insufficient. The Council would wait to see the detail of Government proposals for the pension scheme; reference would be made to the pension scheme changes, as part of the Council's budget process.

Resolved

- (1) That the report be noted and that implementation of any action plans reported through the audit process.
- (2) That the Chairman of the Audit Committee be authorised to sign the Statement, as outlined in the officer's report. (HFAPM)

230 AUDIT COMMITTEE SELF-ASSESSMENT

The Committee considered the report of the Head of Finance, Audit and Performance Management on a review of the role of the Audit Committee using the Chartered Institute of Public Finance and Accountancy (CIPFA) toolkit, which includes an extensive self-assessment checklist.

There was some debate about the suggestion within the self-assessment checklist issued by CIPFA that new Audit Committee Members be provided with an appropriate induction and that Members' skills and experience be assessed and training given for identified gaps. It was noted by Members that the checklist did not contain any requirement that such training be compulsory. Members concurred that there would be merit in exploring the possibilities for pre-briefing sessions for all Members of the Committee prior to meetings and for any gaps in Members' knowledge to be addressed via training, but did not feel that audit training should be compulsory, as this would give the Council limited flexibility with respect to what Members might be able to attend Audit Committee meetings.

Responding to a Member enquiry relating to arrangements for the Audit Committee to make a formal annual report on its work and performance, officers advised that this issue had been raised with the Essex Audit Group; the way forward was still to be determined. The external auditors commented that this requirement within the CIPFA checklist was not given a top priority status of '1', but that of '2'; it would appear sensible for Local Authorities to focus initially on addressing the top priorities within the checklist and meeting those requirements first.

Resolved

- (1) That the Position Statement detailed at paragraph 3.4 of the officer's report be agreed.
- (2) That the self-assessment information and any actions arising from it be agreed.
- (3) That proposals for assessing the skills and training appropriate for Members of the Audit Committee be reported back to a future meeting. (HFAPM)

231 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 September 2009 and providing an update of that framework and of the corporate risk register for 2009/10 for Members' consideration and approval.

In response to a Member enquiry relating to overall responsibility for the risk management framework, officers advised that this ultimately fell to the Head of Finance, Audit and Performance Management. The corporate risk register was a useful corporate tool to ensure that any risks to the Authority are identified and minimised. The Head of Paid Service and Monitoring Officer also had statutory responsibilities.

Responding to a further Member question about risk 6, relating to business continuity, on page 10.12 of the officer's report, officers advised that the quality of controls appeared as 'fair', given that the Council's business continuity plans had not been comprehensively tested. However, a new emergency planning officer had been appointed, who was tasked with looking at business continuity plans throughout the organisation, including testing of the plans to identify any potential gaps.

Officers advised, in response to a Member enquiry about risk 17, relating to climate change, detailed in page 1.26 of the officer's report, that details of climate controls already in place would be circulated to Members of the Audit Committee.

In response to a Member question about the origins of the different risk categories detailed in the report, officers confirmed that these had originated from the Council's insurer's, Zurich Municipal, and adapted as necessary. They further advised, in response to a supplementary query relating to the staff performance review process, My Performance Review (MPR), that this was now fully established for all officers, including the Chief Executive, and contained targets and objectives for all individuals.

Resolved

- (1) That the revised risk management framework and policy be approved.
- (2) That the revised corporate risk register be approved.
- (3) That risk management progress reports be considered by the Audit Committee twice a year, with the next report being due in early 2010. (HFAPM)

232 PARTNERSHIP REVIEWS

The Committee considered the report of the Head of Finance, Audit and Performance Management presenting the results of the reviews of sub-groups of the Local Strategic Partnership (LSP) undertaken as part of the 2008/09 audit plan.

Officers advised that in future the Review Committee would be looking strategically at LSP partnerships, while the Audit Committee would be looking at the governance arrangements of these partnerships.

The external auditors emphasised that this Council was ahead of other Local Authorities in respect of its partnership work; the Council's partnerships framework had accordingly been shared with other Local Authorities in the county.

Resolved

- (1) That the findings of the reports be endorsed.
- (2) That the programme for future partnership reviews be endorsed.
- (3) That the partnerships listed on the major partnership register be noted.
(HFAPM)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the press and public be excluded from the meeting for the remaining items 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.

233 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.

It was noted that, with respect to page 13.24 of the officer's report, the system referred to in report 15 (07/08) would go live on 12 October 2009. It was further noted that report 19 (08/09), detailed on page 13.26 of the officer's report, should be deleted from the schedule, as this had been completed.

In response to a Member enquiry relating to housing benefit fraud, officers advised that a recommendation arising out of the audit that details of outcomes of housing fraud investigations resulting in prosecution be published in order to deter potential fraudsters had been accepted.

Responding to a Member concern relating to the tone and content of a standard letter sent out relating to Council Tax single person discount, officers advised that the wording would be examined as part of Internal Audit's routine follow-up on that audit.

Resolved

- (1) That the conclusions and results from the audits in appendix 1 be agreed.
- (2) That the updated information on the audit recommendations, outlined in appendix 4, be agreed.

The meeting closed at 9.25 pm.

Chairman

Date

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