

Audit Committee – 6 June 2007

Minutes of the meeting of the **Audit Committee** held on **6 June 2007** when there were present:-

Chairman: Cllr Mrs L A Butcher

Cllr Mrs J Dillnutt
Cllr K A Gibbs
Cllr Mrs S A Harper

Cllr T Livings
Cllr Mrs J A Mockford
Cllr S P Smith

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs D G Stansby and J Thomass.

OFFICERS PRESENT

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

ALSO PRESENT

D Eagles, PKF
A Kendall, PKF

180 MINUTES

The Minutes of the meeting held on 10 April 2007 were approved as a correct record and signed by the Chairman.

181 PROGRESS ON DECISIONS

The Committee received the schedule relating to progress on decisions.

Key Lines of Enquiry – Use of Resources Judgment 2005/06

It was noted that a report outlining a revised action plan would be brought to the July meeting of the Committee.

182 OUTLINE AUDIT AND INSPECTION PLAN 2007/08

The Committee considered the report of the Head of Finance, Audit and Performance Management on introducing an outline audit and inspection plan for 2007/08.

Mr Eagles confirmed that the following risks could impact on the proposed audit of financial statements:-

- Compliance with the Statement of Recommended Practice (SORP) 2007.
- The proposed replacement of the Cash Receipting system.
- The requirement for annual financial statements to be prepared from 2008/09 in accordance with International Financial Reporting Standards (IFRS) adapted for the public sector and the requirement for any resulting material changes to accounting policies to necessitate a re-statement of 2007/08 comparatives.

Officers confirmed that work on the latter requirement would commence after the 2007/08 accounts had been completed; it was, however, stressed that the process would result in a lot of additional work.

Mr Eagles advised that the proposed Plan included a risk assessment identifying the key risks relating to the Council's use of resources as:-

- Embedding the performance management system and further developing value for money arrangements.
- The new Committee decision making structure.
- Effective partnership working around the Health Inequality agenda.
- The transfer of housing stock to Rochford Housing Association.

Responding to a Member enquiry relating to the risk associated with compliance with the SORP 2007/08, Mr Eagles advised that the specific risk was that of failing to interpret correctly the financial statements in producing a set of accounts for the Authority.

In response to a further query relating to the risk associated with the proposed replacement of the Cash Receipting system, officers advised that the system was due to be replaced in August/September 2007. It was stressed that systems were currently operating well and the situation would be closely monitored over the next year.

Responding to a Member enquiry relating to the risk associated with the Council's new decision-making arrangements, Mr Eagles confirmed that developments would be monitored by means of discussions with officers and Members, via Comprehensive Performance Assessment (CPA) Improvement Panel meetings and regular operational meetings.

Mr Eagles confirmed, in response to a Member question about the Council's performance previously, that during the previous year's use of resources assessment the Council had obtained a rating of 3 for producing its accounts, which was a good result. Furthermore, in all areas the Authority had scored a rating of 2, which was adequate; the Authority had not managed to achieve this in the year prior to that. Testing work would be carried out in service

areas to ensure that procedures were working across the Authority.

Responding to a Member enquiry relating to strategic housing, Mr Eagles advised that, post-housing stock transfer, there would be very little direct housing provision by the Council, although it would have responsibility for putting in place improvements associated with the decent home standards and would, via its Local Development Framework, have responsibility for determining the location of future new housing provision within the district.

Members expressed concern that the plan did not make direct comparisons with the Council's performance in the previous year in order to illustrate what improvements the Council should be pursuing in the current year and in setting its new targets. Although recognising that the auditors' standing work included follow-up on detailed action plans arising from the previous assessment, Members felt that there would be merit in the plan including references to the Council's performance in the previous year's inspection and showing targets and actions for the forthcoming year in that context.

Officers advised that the report relating to the uses of resources judgment 2005/06 which would come to this Committee in July would identify areas where scores of 2 (adequate) could be improved to 3 (good), within existing resources.

In response to a Member enquiry relating to the slight increase in auditors' fees, Mr Eagles confirmed that this had been largely due to targeted work, including work on the Local Area Agreement, performance management and health inequalities; the increase had, however, been below the rate of inflation.

Members noted that the date currently arranged for this Committee in September 2007 would not allow sufficient time for officers to consider the auditors next report. Members agreed that there would be merit in re-scheduling the meeting to 25 September 2007.

Resolved

- (1) That the Outline Audit and Inspection Plan be noted.
- (2) That the Audit Committee meeting in September 2007 be re-scheduled for 25 September 2007. (HFAPM)

183 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Committee considered the report of the Head of Finance, Audit and Performance Management appraising Members of the outcome of a review of the effectiveness of internal audit.

Responding to a Member enquiry relating to training for officers reviewing the self assessment completed by the Head of Internal Audit, officers advised

that, in tasking the Corporate Director (External Services) and the Corporate Policy Manager with conducting the review, the Council had adopted Department for Communities and Local Government (DCLG) guidance which states that the review can either be conducted by senior officers within the Authority with no functional or managerial links with Internal Audit, or by means of a peer review. The reviewers had conducted the review by means of a comprehensive checklist.

In response to a supplementary query relating to the length of time taken to conduct the review, officers advised that the self assessment had taken approximately 3 – 4 days.

Members concurred that there could be advantages in another Local Authority conducting this review in future and it was agreed that officers should provide the Committee at its next meeting with feedback from other Essex Local Authorities on how they had conducted their reviews. Officers would forward copies of the checklist used to conduct the review to Members of this Committee.

Resolved

- (1) That the satisfactory outcome of the review be noted.
- (2) That the Audit Charter be reviewed at the next meeting and annually thereafter.
- (3) That a report be made to the next meeting of this Committee on how other Local Authorities in Essex had conducted the review. (HFAPM)

EXCLUSION OF THE PRESS AND PUBLIC

Resolved

That the public and press be excluded from the meeting for the remaining item of business on the grounds that exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed.

184 STATEMENT OF INTERNAL CONTROL (SIC) 2006/07

The Committee considered the exempt report of the Chief Executive required under the Accounts and Audit Regulations 2003.

In response to Member questions relating to identified 2005/06 weaknesses, the following was noted:-

- More work was needed on business continuity planning; this would be monitored by the Senior Management Team Performance Sub-Group and

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a report would be made to the Audit Committee.

- More work was also needed on developing a clear value for money (VFM) programme; reviews have been conducted, including an audit of telephones, which was a good VFM exercise. The report to the Audit Committee in July on the Use of Resources action plan would include the plan for developing the Value for Money work.

Resolved

- (1) That it be agreed that the level of assurance provided is sufficient to determine the weaknesses identified within the 2006/07 Statement on Internal Control.
- (2) That the 2006/07 Statement on Internal Control be agreed for signing by the Leader of the Council and the Chief Executive. (CE)

The meeting closed at 8.47 pm.

Chairman

Date

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