

Minutes

Meeting of: Audit Committee

Meeting held in: Committee Room 1, The Council House, Bourne Hill, Salisbury

Date: 22 June 2005

Commencing at: 5.00pm

Present:

Councillors Brady, Culver, Draper, Nettle, Paisey and Wren.

Mrs J Clarkson (Independent Person)

Officers

Mrs. D Melville (Financial Services) and A Rose (Democratic Services).

Councillor Draper in the Chair

1. Election of Chairman

Resolved – that Mrs J Clarkson be elected as Chairman of the Audit Committee for the 2005/06 municipal year.

Mrs J Clarkson in the Chair

2. Election of Vice Chairman

Resolved – that Councillor Nettle be elected as Vice-Chairman of the Audit Committee for the 2005/06 municipal year.

3. Apologies

Apologies were received from Councillor Edge.

4. Public Questions/Statement Time:

There were none

5. Councillor Questions/Statement Time:

There were none

6. Declarations of Interest:

There were none

7. Chairman's Announcements:

The Chairman had no announcements to make. However, Councillor Wren was given permission by the Chairman to confirm to the Committee that Councillor Culver and himself are non-voting members of this Committee.

8. Statement of Internal Control

The Committee considered the Statement of Internal Control (previously circulated):

Resolved – that Full Council be recommended to adopt the Statement of Internal Control subject to the following amendments:

- a. page 1 – seventh paragraph to be amended to read "An Audit Committee has been established with responsibility for overseeing corporate governance, internal control, risk management, external audit and internal audit."
- b. Page 3 – first proposed action – timescales should be included for any possible relocation of the function mentioned.
- c. Page 4 – IT Security and Corporate Standards and also Proceeds of Crime Act – timescales should be included for the proposed actions identified.

During consideration of this matter, the following comments were made (with any reply made):

- In relation to the first proposed action on page 3, what does "relocating the function" mean?

Currently, the payroll function resides within Personnel Unit. However, there is just one officer responsible for this which creates a very high risk situation should that officer become unavailable.

- Should any areas of weakness, as highlighted in the Audit Commission report, be included in the Statement of Internal Control?

A weakness was included in the statement for last year, however, due to the creation of a new Procurement Team at the Council with a remit to improve performance, it was decided not to include it in this years' report.

It is important that this committee is aware of what weaknesses have been highlighted.

Agreed – that Diana Melville will review the Audit Commission Annual Audit and Inspection Letter for this authority and bring to this committee a summary of weaknesses highlighted within that report.

9. Draft Work Programme

Copies of the Terms of Reference were circulated to those present (a copy is attached to these minutes).

The Committee asked questions regarding the Terms of Reference. The following comments were made regarding individual numbered items as contained in the Terms of Reference:

- Item 3 – Where will this fit into the work programme for the committee?

There is no work on this item listed at present but some can be drafted. It could be included in the Annual Review of Corporate Governance as shown in the draft work programme (January 2006).

- Item 9 – It would be more suitable to amend this statement to read “To review the draft Statement of Internal Control and supporting evidence and recommend approval” as the term “to conduct an independent review” suggests work that is much more complex than will be the case.
- Item 14 – The Chair and Diana Melville will make arrangements for this to happen. This will be likewise for Item 21.
- Item 15 – How much scope does the authority have in this matter?

There is scope for independent accountancy firms to undertake external auditing on behalf of the Audit Commission, so there is some flexibility in the process. Consideration of this could be made during the Annual Review of Corporate Governance (January 2006).

- Item 16 – How much scope is there in shaping the external auditing work undertaken on behalf of the authority?

It may be useful if this committee were to suggest areas that the external auditors could look at.

- Item 20 – In future the internal and external audit plans will be reviewed simultaneously so that this can be considered.

Resolved – that the Audit Committee approve the work programme as previously circulated, subject to the comments made above.

The Committee then discussed the escalation process for auditing concerns.

Resolved – that the escalation procedure for audit concerns are as follows:

1. Report (for note) for Cabinet to ensure that they are kept informed.
2. Internal Audit to be notified
3. External Audit to be notified
4. Full Council to consider

The severity of the issue concerned will dictate how far up the escalation process the matter is raised.

10. Training Proposals

The committee considered the issues highlighted in the officers report as requiring familiarisation and training by members.

Resolved – that the following actions be taken:

1. Diana Melville to investigate as to whether the CIPFA manual is available on a CD Rom; and if so, to distribute.
2. A presentation to be made to the Audit Committee about Internal Audit (next meeting).
3. To receive a presentation from the Risk Management Group as it will be important that this committee has an understanding of their role and work.
4. Copies of the Accounts and Audit Regulations to be distributed to committee members.
5. The Audit Commission be asked to attend a future meeting of this committee to make a presentation regarding audit.

I I. Date of Next Meeting

Resolved – that the date of the next meeting will be at 10am on Tuesday, 26th July in the Cabinet Room, Bourne Hill.

The meeting closed at 6.00pm

Audit Panel – Terms of Reference

Corporate Governance

1. Ensure that the Council's corporate governance arrangements are adequate and operating effectively in practice.
2. Considering the Council's Code of Corporate Governance and approving the annual review and statement. (Note 1)
3. Oversight of the Council's Constitutional arrangements and advising the Council of any changes that may be desirable. (Note 2)

Financial Management

4. Ensuring that the financial management of the Council is adequate and effective.
5. Reviewing the Council's statement of accounts prior to approval by Full Council.

Internal Control

6. Ensuring that the Council has a sound system of internal control that facilitates the effective exercise of the Council's functions including arrangements for the management of risk.
7. Ensure a review of the effectiveness of the Council's system of internal control is conducted at least annually in accordance with proper practices.
8. Receive the annual report on the internal control environment from Internal Audit.
9. Conduct an independent review of the draft Statement on Internal Control and supporting evidence and recommend approval.

Internal Audit

10. Approving the terms of reference and strategy for Internal Audit.
11. Approving the strategic internal audit plan and consideration of the audit needs assessment and resources available.
12. Monitoring the performance of Internal Audit, to include receiving half yearly and end of year reports on progress in delivering the annual internal audit plan.
13. Receive summaries of reports issued by Internal Audit and monitor the implementation of recommendations.
14. For the chair of the audit committee to meet independently with the Chief Internal

Auditor at least once a year and for internal audit to have the right of free access to the chair at any time.

External Audit

15. Consider the appointment of the external auditor as far as Audit Commission rules permit and monitor quality and performance of audit.
16. Commenting on the external audit plans.
17. Considering any matter arising from the audit of the accounts, or other audit and inspection work
18. Receiving and considering the Audit Commission's annual audit and inspection letter and other external audit reports.
19. Monitoring the implementation of recommendations from external audit.
20. Review the arrangements made for cooperation between Internal Audit, external audit and other review bodies to ensure effective use of the total audit resource.
21. For the chair of the audit committee to meet independently with the external auditor at least once a year and for external audit to have the right of free access to the chair at any time.

Note 1

The Standards Committee will review the 'Standards of Conduct' section of the Local Code of Corporate Governance.

Note 2

The Standards Committee will retain responsibility for the overview of the Constitution "as it affects ethical matters".