

Minutes

Meeting of : Audit Committee
Meeting held in : Committee Room 1, Bourne Hill, Salisbury
Date : 13 June 2006
Commencing at : 10.00 am

Present:

Mrs J Clarkson JP and Mr P Downing (Independent Persons)

Councillors J M Collier and P V H Paisey

Councillor D A Culver was in attendance as an observer

Officers

Diana Melville, Matthew Tiller (Financial Services), Stewart Agland and Lindsay Mertens (Democratic Services)

Also present

Peter Brown and Brian Bethell (Audit Commission).

Apologies

Councillors P D Edge and K C Wren.

Mrs J Clarkson welcomed Mr P Downing, the new independent member to the committee. The committee noted that Mr Downing had been interviewed by Mrs Clarkson JP in her role as Chairman and the Chief Internal Auditor and had also subsequently met with Mrs Clarkson JP, the Head of Legal Services and the Chief Internal Auditor in order to discuss issues that had arisen since his interview. Following assurances from Mrs Clarkson and the Chief Internal Auditor along with comments made by Mr Downing at the meeting, the committee members were happy to ratify the appointment of Mr Downing to the committee.

64. Election of Chairman:

The Head of Democratic Services asked for nominations for a Chairman.

Resolved – that Mrs J Clarkson JP be elected the Chairman for the Municipal Year of 2006/07.

MRS J CLARKSON JP IN THE CHAIR

65. Election of Vice Chairman:

Resolved – that Mr P Downing be elected the Vice-Chairman for the Municipal Year of 2006/07.



66. Public Questions/Statement Time:

There were none.

67. Councillor Questions/Statement Time:

There were none.

68. Minutes:

Resolved – that the minutes of the meeting held on 4 April 2006 (previously circulated) be approved and signed by the Chairman.

69. Declarations of Interest:

There were none.

70. Chairman's Announcements/Questions

The Chairman informed the committee that she had recently held annual Chairman's private meetings with both the Chief Internal Auditor and separately with the Audit Commission, as required by the terms of reference for the Audit Committee.

The Chairman explained that in the meeting with the Chief Internal Auditor a number of areas were discussed including whether any matters needed to be raised in the private meeting rather than publicly, and the committee was pleased to hear that there were none. Also discussed was the departure of the former Chief Executive and recruitment of the Acting Chief Executive from within the council, and whether any impact had arisen from the redistribution of responsibilities among the reduced number of Policy Directors, and it was noted that no issues had arisen and it was useful that David Crook still retained the responsibility for Financial Services which ensured continuity in this regard. Some suggestions that arose from the meeting were in regard to the training of Audit Committee members and also that a greater involvement of other officers in Audit Committee meetings would be useful, in order that they may comment on relevant matters before the committee. It was also felt by the Chief Internal Auditor and the Chairman that it would be useful to invite the two Policy Directors, Dave Neudegg and Debbie Dixon, to attend meetings of the Audit Committee, in order that the Chairman may be familiarised with the Policy Directors and that they may also learn more about the work of the Audit Committee and members of the committee agreed that this was an excellent suggestion.

With regard to the meeting between the Chairman and the Audit Commission, it was similarly agreed that there were no issues which needed to be raised privately rather than publicly and there had also been no adverse impact noted following the changes made to the Management Team for the council. The Audit Commission also noted that co-operation between SDC officers and themselves had been good and no problems had arisen. Suggestions made at the meeting included the possibility that the Audit Commission could be used to facilitate sharing best practice experience with other District Councils, along with the suggestion that it may be useful to learn from health sector Audit Committees as these had been in force for a longer period of time than District Council Audit Committees. It was also suggested that the Audit Committee's role in testing the effectiveness of corporate governance be developed and that the next private annual meeting be aligned with the drafting of the Audit Plan for the coming year.

The Chairman also announced that she had been appointed to the council's Standards Committee, although this appointment would need to be ratified at the next Full Council. The committee congratulated the Chairman on this appointment.

71. Audit and Inspection Plan:

Mr Bethell of the Audit Commission introduced the Audit and Inspection Plan to the committee. Mr Bethell explained that the plan was in its draft form, but had been discussed and agreed with officers before being brought to the Audit Committee.

Mr Bethell explained that the main areas of work for the Audit Commission to undertake in the municipal year would be to review the council's financial statements and use of resources, along with feeding into the CPA process and offering an opinion on whether the arrangements in place at the council were providing value for money. Separate to the above, the other area of work that would be carried out by the Audit Commission in the next year would be inspection work.

The committee raised a query regarding whole government accounting and what implications this would have on the district council. Mr Bethell explained that the concept of whole government accounting was a relatively new one and an area which the Audit Commission was still awaiting guidance upon, but that he didn't

anticipate that the national guidance would have a big impact at a district council level. Mr Bethell confirmed that he would bring more information back to the committee at a later date with regard to this matter.

The committee queried the definition of a 'closedown arrangement' as used in paragraph 31 on page 10 of the report. Mr Bethell confirmed that this term referred to the way in which an authority closes down its accounts at the end of a financial year and that the Audit Commission must take account of this process within the council to be assured that it is done correctly.

The committee discussed the table of audit risks, as contained on page 8 of the report, and asked for clarification about the 'issues of process and legality' that may be raised when balloting tenants over the Large Scale Voluntary Transfer. Mr Bethell confirmed that this phrase did not refer to any risks in particular, moreover that the Audit Commission would always keep a closer watch on the common pitfalls and issues that may arise during a significant exercise such as a possible stock transfer.

The committee discussed the audit and inspection fee as set out on page 15 of the report. It was noted that the fee did not contain work related to assurances from the auditor of the Wiltshire Pension Fund and that the total fee may rise if a significant amount of work arose in this area. Mr Bethell assured the committee that this was not necessarily anticipated at this time but included as a proviso.

The committee then discussed governance arrangements within the council as mentioned on page 12 of the report. The Audit Commission had prepared a draft document for the Audit Committee to consider entitled 'Ethical Governance and Standards' which contained a survey with the purpose of testing the governance arrangements within the council (this document was appended to the main report and previously circulated). Members noted that the survey had been used in other councils to test the governance arrangements of both Officers and Members, and for the council to take up this option there would be a charge of £4,500. Members questioned whether the survey addressed all the areas of Corporate Governance necessary, and whether it would be preferable to widen the remit of the survey. Members discussed whether the assessment of ethical standards was a duty of the Audit Committee or the Standards Committee, and the Chairman agreed that she would raise the matter at the next Standards meeting. Members also questioned whether the Internal Audit Process could cover such an area. The Chief Internal Auditor confirmed that council officers could probably develop a similar survey and that this would tie in with work that had already been done internally on the code of Corporate Governance. However the drawback to this would be that it would take some time to achieve this and to undertake such an exercise internally would eliminate the possibility of comparing data with other authorities.

Agreed –

- (1) That the Audit and Inspection Plan be noted.
- (2) That the Chairman raise the issue of the Audit Commission's document to test ethical governance and standards within the council at the next Standards Committee meeting.
- (3) That the Audit Committee continue to review the possibility of commissioning a survey from the Audit Commission, in order to test ethical governance and standards within the council. This work would be additional and a quote would have to be obtained and approved. The possibility of requesting further work from officers in order to inform this matter to also be reviewed at a future meeting.

72. Internal Audit Annual Report 2005/06:

The Chief Internal Auditor presented the Internal Audit Annual Report 2005/06 and explained that the report contained information regarding the internal audit work carried out during 2005/06 along with information on the effectiveness of the work.

The Chairman raised a query regarding the number of outstanding responses and actions that had not yet been carried out contained within the report. The Chief Internal Auditor confirmed that further responses were expected in the near future and that it was possible that some actions had been carried out but remained as yet unreported. The Officer confirmed that she would bring these outstanding responses to a future meeting.

Agreed –

- (1) That the report be noted.
- (2) That the Chief Internal Auditor report to a future meeting of the committee on the audit areas contained within the report for which a response remained outstanding.

73. Review of the effectiveness of Internal Audit:

The Chief Internal Auditor presented the Review of the Effectiveness of Internal Audit. The Officer explained that new regulations were introduced in March 2006 which required the council to review the effectiveness of its internal audit. A guidance note from the government on the implementation of these new regulations was expected but not received by the date of the meeting. The report therefore reflected the opinion of the Chief Internal Auditor on whether the council's internal audit met the guidelines issued by CIPFA, and outlined those areas where further development was required.

Owing to the fact that the new regulations require the above review to be undertaken annually, the committee discussed the most appropriate time for the review to take place and it was felt that it may be suitable to tie the report in with the Statement of Internal Control produced annually in March/ April.

Agreed – that the report and the planned actions arising from it be approved by the Audit Committee.

74. Statement of Accounts 2005/06:

The committee considered the report of the Head of Financial Services (previously circulated). Prior to the meeting Mr P Downing had also sent a detailed list of questions to the Head of Financial Services on the accounts. It was agreed that these would be discussed separately with Mr Downing outside the meeting.

Members of the committee noted that the Statement of Accounts reflected that the council was in a good financial position considering the difficult financial challenges that had been faced during the past year.

It was noted that the Statement of Accounts was a complex document and would probably be particularly difficult for members of the public to interpret. The Officer explained that the council is bound to publish the accounts in the current format in line with regulations, but that he hoped to produce of a summary of accounts to enable easier understanding of the figures.

Agreed – that the Statement of Accounts for 2005/06 be noted.

75. Statement on Internal Control 2005/06:

The committee considered the report of the Acting Chief Executive (previously circulated).

Agreed –

- (1) That the target date for completion of the proposed actions under the Risk Management Internal Control Issue, as included on page 3 of the Statement on the System of Internal Control, be amended to 1st January 2007.
- (2) That, subject to the above amendment, the Statement on the System of Internal Control be recommended to Full Council for approval.

76. Amendment to Risk Management Policy and establishment of Risk Appetite:

The committee considered the report of the Acting Chief Executive (previously circulated).

Agreed – that the amended risk management policy be recommended to Cabinet for approval.

77. Review of Terms of Reference

The committee considered the current terms of reference of the Audit Committee, as set out in the agenda (previously circulated).

Members of the committee discussed whether the committee met its obligations under item 20 of the terms of reference, with regard to reviewing the arrangements made for cooperation between Internal Audit, external audit and other review bodies to ensure effective use of the total audit resource. It was noted that the Chairman had recently met independently with both the external and internal auditors in order to discuss the effectiveness of arrangements, and it was therefore agreed by members of the committee that item 20 was met satisfactorily by the work of the committee.

The committee then discussed the arrangements that the council had with the Audit Commission as the council's external auditor and noted that the council was not obliged to employ the Audit Commission to undertake the external audit. Mr Bethell explained to the committee that it was usual for the Audit Commission to hold a position as the council's external auditor for a period of 5 years, and that there was 2 years still remaining on the current arrangement. The Chief Internal Auditor informed the committee that the Audit Commission had recently written to the Acting Chief Executive regarding the current audit arrangements

and whether the council was happy for that arrangement to be extended. The members felt that it would be suitable for the Audit Committee to be consulted on these arrangements when they came to being reviewed.

Agreed –

- (1) That no changes to the terms of reference of the Audit Committee are necessary at this time.
- (2) That a request be made that the Chairman of the Audit Committee be copied in on any correspondence regarding an extension of the Audit Commission's contract with the council and that the Audit Committee include a review of the council's arrangements with the Audit Commission in a future work programme.
- (3) That the terms of reference of the Audit Committee be reviewed again at the start of the next municipal year.

78. Date of Next Meeting

Agreed – that the next meeting of the Audit Committee be held on 26 September 2006, in Committee Room 1 at 10am.

The meeting concluded at 12.10 pm