

Minutes

Meeting of : Audit Committee
Meeting held in : The Training Room, The Council House, Bourne Hill, Salisbury
Date : Tuesday 26 September 2006
Commencing at : 10.00 am

Present:

Mrs J Clarkson JP (independent person) – **Chairman**
Mr P Downing (independent person) – **Vice Chairman**

Councillors J M Collier and P V H Paisey

Councillors R Britton and D A Culver were in attendance as observers

Officers

Diana Melville, Matthew Tiller (Financial Services), Lindsay Mertens (Democratic Services) and John Crawford (Legal and Property Services).

Also present

Peter Brown and Brian Bethell (Audit Commission).

Apologies

Councillors P D Edge and K C Wren.

80. Public Questions/Statement Time:

There were none.

81. Councillor Questions/Statement Time:

There were none.

82. Minutes:

Resolved – that the minutes of the meeting held on 13 June 2006 (previously circulated) be approved and signed by the Chairman.

83. Declarations of Interest:

There were none.



Awarded in:
Housing Services
Waste and Recycling Services



84. Chairman's Announcements/Questions:

The Chairman informed the Committee that, as resolved at the previous meeting (recorded in minute 71), she had intended to raise the issue of Audit Commission work on Ethical Standards at the Standards Committee meeting held on 18 September but had been unable to attend the meeting. Consequently, this would now be raised at the next Standards Committee meeting in October and fed back to the following Audit Committee meeting in January.

85. Audit Commission report on 2005/06 Statement of Accounts:

Mr Bethell of the Audit Commission introduced the above previously circulated report to the Committee. Mr Bethell explained that this was the first report of its kind to be required under the International Standards of Auditing and that the Audit Commission was required to cover a number of areas in the report, even if there should be nothing material to report in these areas. It was also the first time that the Audit Commission had to give an opinion on Value for Money in the Council in addition to an opinion on the Statement of Accounts. Reassuringly, there were no significant issues discovered during the process which needed to be reported to the Audit Committee, which is an excellent outcome for this piece of work.

Following this introduction the Committee discussed the report and commended Officers for achieving a significant result in this exercise, particularly given competing demands in a busy period.. Members noted that in undertaking this work the Audit Commission were required only to comment on whether there were sufficient arrangements in place, and were not placed to assess the delivery under these arrangements. An opinion on Corporate Governance within the Council was also not required by the exercise.

The Committee queried whether a good result in this report would lead to a 'light touch' in future years' work. Mr Bethell explained that whilst this piece of work correlates with the CPA exercise which rewards a good result with a lighter touch, there was actually a drive through International Standards of Auditing towards taking an even more in depth approach. However, it was hoped that in future years the presentation of information in the report would be more user friendly.

The Chairman raised concerns regarding the content of the Letter of Representation, to which, in addition to a signature from the Head of Financial Services, the Chairman's signature was required to indicate that the Council acknowledged its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The Chairman explained that the assurances contained within the letter appeared to be more in depth than the Chairman of the Audit Committee would be able to give. The Committee considered this and agreed that the letter should be amended in order to make clear that the role of the Audit Committee was to take an overview of work within the council.

Resolved – that

- (1) the report be noted.
- (2) the Letter of Representation be amended to clarify the Audit Committee's role in taking an overview of the financial statements and that following this amendment the letter then be approved and signed by the Chairman.
- (3) Officers be commended for achieving an excellent result with no issues of significance to report in the external Audit of the 2005/06 Statement of Accounts.

86. Update on Corporate Governance:

The Committee considered the report of the Chief Internal Auditor (previously circulated). The Chief Internal Auditor explained that the aim of the report was to update the Committee on changes that were expected to corporate governance in local authorities following the publication of a consultation draft *Good Governance in Local Government*. Proposals contained within this publication were now being consulted upon and changes were expected to come to fruition in 2007/08. The most significant change that was anticipated as a result of the consultation was the requirement for local authorities to implement a Governance Statement, similar to the Statement on Internal Control. The Chief Internal Auditor explained that it was expected that these changes would result in some additional work to meet the requirements, but that the resources had not yet been quantified.

Resolved - that

- (1) the draft timetable contained within the report be agreed.

- (2) it be recommended to Cabinet that the review of corporate governance be included in the Resources portfolio plan for 2007/08.

87. Update on 2005/06 Annual Report and 2006/07 Progress Report:

The Committee considered the report of the Chief Internal Auditor (previously circulated). The Officer explained that the report offered a complete picture of audit undertaken in 2005/06 and an interim report of the 2006/07 audit work.

Members noted that they were pleased to see areas of particular importance, such as council tax, prioritised but noted that there were a number of items listed in the report for which actions had not yet been implemented and expressed their concern at this. The Officer explained that actions were followed up to encourage managers to take ownership of issues and resulting actions within their unit although sometimes an element of slippage was seen and target dates were not met. The Committee asked that the Chief Internal Auditor continue to report to the Committee on actions that had not been implemented and suggested that target dates should be included within the report so that slippage may be more closely monitored.

The Committee raised concerns about the limited assurance given regarding the protection of the ICT infrastructure during the office building and refurbishment project and asked if there was anything new to report on this area. The Chief Internal Auditor explained that a report on this area was still in draft form and awaiting input. Members felt that owing to the importance of the issue it would be beneficial to invite the Head of ICT Services to the next meeting of the Audit Committee to discuss this particular issue.

Members queried the point at which senior Officers and /or Portfolio Holders become involved in an area of audit if a required action remains outstanding. The Chief Internal Auditor explained that unit managers and the Council's senior management team are closely involved in the audit process and that particular focus is given to areas of no action. Copies or executive summaries of all audit reports are also sent to the relevant unit managers, Policy Directors and the Chief Executive along with Members of the Audit Committee which allows for these parties to monitor progress and discuss any area which warrants investigation with Internal Audit Officers. If an issue should be deemed to be of significant concern Internal Audit Officers may then consider informing the relevant Portfolio Holder.

The Committee asked if the audit work plan was based only on identifying areas of risk or if it also took account of the Corporate plan and Forward plan in order to support the overall work of the Council. The Officer confirmed that the Management Team is consulted when the audit work plan is drawn up to ensure a correlation in these areas, and that the Audit Committee also has the opportunity to request an area of audit work to be undertaken if this should be deemed necessary. It was also suggested that Cabinet may consult the Audit Committee on particular issues if they feel that audit work may be required before making a decision on that issue. In order to monitor the process of developing the audit work plan, the Committee suggested that in future meetings the Chief Internal Auditor should give a documented outline of how the chosen areas of audit had been arrived at.

Following the change in arrangements to the process of Internal Audit a year ago, which required managers to identify remedial actions as opposed to this being done by Internal Audit, the Committee noted that they were keen to ensure that the system was working effectively on this basis. In order to ensure that there was sufficient information to allow for a full assessment of this, it was felt by all that the earliest opportunity to consider this would be in April 2007, and that the Chief Internal Auditor should bring an interim report of the 2006/07 Annual Audit Report to the Committee at this time in order to allow for the process to be considered.

The Internal Audit staffing situation was discussed and the Committee noted that it was commendable that the team had been able to undertake all necessary work despite limited resources. The Members requested that the Chief Internal Auditor approach them if it was felt that resources were insufficient.

Resolved – that

- (1) the results of Internal Audit Work for 2005/06 and for the first five months of 2006/07 be noted.
- (2) the Chief Internal Auditor continue to update the Committee at future meetings on areas of internal audit work with outstanding action.
- (3) as the matter was deemed to be of particular importance, the Head of ICT be asked to attend the next meeting of the Audit Committee in January, in order to talk through the plan for protecting the ICT infrastructure during the office building and refurbishment project.

- (4) prior to the final 2006/07 Annual Audit Report, the Committee receive an interim update from the Chief Internal Auditor in April in order to assess the success of the new auditing arrangements within the Council.

88. Draft Audit Committee Work Programme:

The Committee considered the report of the Chief Internal Auditor (previously circulated) and noted that there appeared to be no areas of particular concern. Members requested that those items identified within discussions regarding other agenda items be included.

Resolved – That the draft work programme for the Audit Committee be approved, subject to the following inclusions:

- 1) Consideration of the Audit Commission work on Ethical Standards following the Standards meeting in October (to be considered at the January 2007 meeting).
- 2) Consideration of the arrangements for protecting the I.T infrastructure during the decant project (to be considered at the January 2007 meeting).
- 3) Consideration of an interim report on the 2006/07 Internal Audit (to be considered at the April 2007 meeting)
- 4) Ongoing updates at future meetings on areas of internal audit work with outstanding actions.

89. Consultation on Training Needs of Audit Committee Members:

The Committee considered the report of the Chief Internal Auditor (previously circulated).

Members noted that they felt that the draft Councillor's Training and Development Programme (attached as an appendix to the report) appeared to be particularly comprehensive which was pleasing. The Assistant Democratic Services Officer present explained that the training programme was in the process of being collated and would be in place for early summer 2007, when there would be an opportunity for Members of the Audit Committee to take up the training available for all Councillors. The Committee noted that risk was not included within the programme and that this area of training should be considered for inclusion.

The Committee noted that the training programme was designed to give all Members an overview of the work of the Council and equip them with the skills needed to undertake their roles. To meet the requirements of Audit committee Members, the Committee felt that in depth training, in addition to that provided by the programme, may be required in the following areas:

- Understanding the financial accounts
- Corporate Governance
- Risk Management

The Committee discussed the possibility of jointly delivering training in the above areas with other local authorities in the Wiltshire area, and noted that this may be worth investigating. Peter Brown of the Audit Commission informed the Committee that he was aware of an Audit Committee training package which may be of use to the Committee, and undertook to investigate this and report back to the Committee via the Chief Internal Auditor.

The Committee discussed the difficulty that many Councillors have in attending training sessions and noted that where possible internal resources should be utilised and additional meetings avoided.

Resolved – that

- (1) the report be noted.
- (2) training be made available to Members of the Audit Committee in 2007 on the following areas:
 - i) Understanding the financial accounts
 - ii) Corporate Governance
 - iii) Risk Management

90. Update on Risk Management Reporting Arrangements:

The Committee considered the report of the Risk Management Group (previously circulated). Members questioned which Unit or Officer was responsible for protecting the reputation of the Council as the report showed this to be a frequently occurring risk category. Officers explained that the Communications Team and Management Team closely monitor the reputation of the Council and take necessary actions to protect it. The Committee noted that it would be possible to discuss this issue further with the Risk Management Group at the time of the Risk Management Annual review in April 2007, should it be deemed necessary.

Resolved – that

- (1) the risk registers be noted
- (2) the proposed reporting framework for reporting on risk management to the Audit Committee be approved.

91. Update on Statement on Internal Control:

The Committee considered the report of the Head of Legal and Property Services (previously circulated). The Head of Legal and Property Services explained that whilst it was disappointing to receive a result of no assurance for Property Management in the Internal Audit Annual Report, constructive discussions had taken place between himself and Internal Audit Officers which had led to the identification of suitable remedial actions. In addition, as a result of the proposed Housing Stock Transfer, work had already been undertaken which was addressing the need to establish an up-to-date authoritative record of the Council's land and property holdings and continuation of this work was recommended. The Head of Legal and Property Services also assured the Committee that any material financial concerns relating to major commercial holdings are identified and raised at monthly meetings that are held between the Management accountant and the Head of Legal and Property Services.

The Chief Internal Auditor explained that the audit report on these matters would shortly be finalised and resulting actions would be followed up and reported back to the Audit Committee.

Resolved – that

- (1) the Council pursue voluntary registration of all of its land and property holdings.
- (2) the Head of Legal and Property services ensure that the Property Team has a documented procedure to ensure that matters are progressed as appropriate including recording key dates on files and in an electronic back up system and that the business Support Manager monitors the back up system.
- (3) an update on resolutions (1) and (2) above be brought to the April 2007 meeting of the Audit Committee as part of the overall review of progress against the Statement on Internal Control Action Plan scheduled to be considered by the Committee at this time.

92. Date of Next Meeting:

Resolved – That in line with the draft Audit Committee work programme, meetings of the Audit Committee be held in January, April, June and September 2007, and that suitable dates for these meetings among Members be sourced.

Please note: subsequent to this resolution the following meeting dates were agreed by Audit Committee Members outside of the meeting:

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| • | Tuesday | 16 January 2007 | 10.00 am Meeting Room, City Hall, Salisbury |
| • | Wednesday | 04 April 2007 | 10.00 am Meeting Room, City Hall, Salisbury |
| • | Wednesday | 13 June 2007 | 10.00 am Meeting Room, City Hall, Salisbury |
| • | Tuesday | 25 September 2007 | 10.00 am Meeting Room, City Hall, Salisbury |

The meeting concluded at 11.45 am