

Title: **Audit Committee Annual Report**

Reporting Member: **Chairman of the Audit Committee**

Reporting Officers: **Ian Jamieson – Head of Finance**

Purpose

The purpose of this report is to provide details of the work undertaken by the Audit Committee during the year April 2006 to March 2007 and to set out the committee's plans for future agenda items in 2007/08.

Background

The Audit Committee was set up in April 2006 following an external review of internal control carried out under Use of Resources. It has responsibility to examine the effectiveness of the authority's internal and external audit functions, reviewing risk management and the proper financial management of the Authority.

The committee makes reports and other recommendations to the Council and/or Cabinet in connection with the above and the improvement of the authority's services.

The Audit Committee has a forward work plan, which is regularly reviewed and updated. In developing the forward work plan the Chairman and Vice Chairman of the committee meet with the Head of Finance to review current and future issues.

The Committee consists of 7 members and meets on a quarterly basis. It met on four occasions during the year; each meeting was preceded by a training item relevant to the agenda. The attendance figures show that two members attended all four meetings and the majority of members attended two thirds or more of the meetings held.

The Audit Committee would like to thank all members who have contributed their time and effort to the work of the Committee.

Key Issues

The Committee considered a range of items during the year, a summary of the main areas is given below:

Role, purpose, and function of the Committee

The role of the committee was agreed in accordance with Chartered Institute of Public Finance (CIPFA) guidance. This required the committee to be:

- clearly integrated into corporate governance framework
- independent to provide assurance to members and the public
- effective to assist the Chief Finance Officer to discharge statutory functions
- independent of Cabinet and Scrutiny with clear access to full Council
- supported by the Chief Executive and Leader.

Statutory Financial Statements

The committee reviewed and approved the Statement of Internal control, which forms part of the Statement of Accounts. This describes the control environment in operation for the year of the accounts. Members considered the accuracy and fairness of representation of the control environment and the significant control issues. Progress on dealing with the significant control issues was reported to future meetings.

The Statement of Accounts (subject to audit) for the financial year ended 31 March 2006 was approved after robust examination and challenge.

Reports from the Head of Finance

The reports received by the committee and action taken are given below:

- Treasury Management annual report - noted the Stewardship report and advised the Council that it is satisfied with the revised prudential indicators 2006/07.
- Risk Management update - noted the recent activity and approved the action plan for future work.
- Procurement update - noted the report and recommendations made to Cabinet.
- Corporate Governance update - noted the report and requested a detailed review at the June 2007 meeting.
- Contract monitoring - noted the progress made and requested a short report on lessons learnt from experience of letting the waste contract.
- Financial monitoring - noted the current position and likely out-turn
- Write off - noted the report and process before debts are written off.
- Corporate Anti-Fraud and Corruption - approved the strategy.
- Asset Strategy and Management Plan - reviewed, commented and requested a further report in the next financial year to validate commitments.

Reports from the Audit Commission -external audit

The committee reviewed and noted the following reports during the year:

- Regularity report 2004/05 - financial aspects of corporate governance arrangements.
- Annual Audit and Inspection Letter 2004/2005 - performance, inspection, accounts and governance.
- Audit and Inspection Plan 2006/07 - sets out planned work for the year.
- Annual Governance Report and Statement of Accounts 2005/06 - gives an opinion on the financial statements and arrangements for securing economy, efficiency and effectiveness in the use of resources.

Reports from KPMG - Internal Audit

The committee reviewed and noted the following reports during the year:

- Internal Audit Annual report 2005/06 - reviews audits carried out during that year and gives an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes.
- Internal Audit Strategic Plan 2006/09 - sets out work required to generate an opinion on the control environment.

- Risk Management.
- Licensing Act.
- CPA improvement plan.
- Access to recreation.
- Income, debtors and cash receipting.
- Creditors.

Training

The following training items were delivered by external providers and offered to all Members:

- Role of the committee - Audit Commission, the Council's external auditors.
- Risk management – KPMG, the Council's internal auditors.
- Prudential Borrowing – Butlers, the Council's Treasury advisor.
- Corporate Governance – KPMG, the Council's internal auditors.

Forward work plan for 2007/08

The Audit Committee's draft forward work plan is attached at Appendix A. Changes may need to be made during the year in response to emerging issues, requests and changing priorities. A new Audit Committee will be established following the elections in May, which may result in additional items being scheduled.

Effect on strategies and codes

The work of the Audit Committee may well have an impact on strategies and codes. Recommendations to Cabinet could result in the review or amendment of policies and strategies, both service specific and Council-wide.

Finance and performance implications

There is no specific budget for the Audit Committee

Risk management implications

There are no specific risk management implications arising from this report.

Legal and human rights implications

There are no legal and human rights implications arising from this report.

Recommendations

The Council is asked to consider this report.

Background papers

Reports and minutes of the Audit Committee 2006/07

Appendices

Appendix A – Audit Committee forward work plan 2007/08