

AUDIT COMMITTEE

17th March, 2008

PRESENT:- Councillor N Blake (Chairman); Councillors Cadd, Chilver, Kennell, Mills and Ralph. Councillor Mrs Morgan-Owen attended also as an ex-Officio Member.

APOLOGIES:- Councillors Isham, Lambert and Mrs Rowlands.

1. MINUTES

RESOLVED –

That the Minutes of 19th February, 2008, be approved as a correct record.

2. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report detailing the progress made by the external auditors in delivering the work set out in their Audit Plan for 2007-08. Work on the 2006-07 audit was now complete and a summary of it was contained within the 2006-07 Annual Audit and Inspection Letter which would be discussed separately at this meeting. Members were also updated on the planned outputs of external work undertaken for 2007-08.

RESOLVED –

That the contents of the external audit progress report be noted.

3. EXTERNAL AUDIT MANAGEMENT LETTER

The Committee received the external auditors management letter which provided an overall summary of the Audit Commission's assessment of the Council. The report drew on audit and inspection work carried out in 2007 and covered the Council accounts for the 2006-07 year together with the "direction of travel" assessment and the "use of resources" assessment.

The report summarised the main messages for the Council and detailed actions that needed to be focussed on for the forthcoming year. The "direction of travel" report stated that the Council continued to provide better services in most areas for the people of Aylesbury Vale, and that services were improving faster than in previous years. This included a summary of AVDC's performance for 2006/07 against the priorities set within the Strategic Medium Term Work Programme.

The "use of resources" and value for money information had been reported to the Committee earlier this year. The Audit Commission had issued an unqualified audit opinion on the accounts on 8 January, 2008. The Council had generally done well in the use of resources area as the criteria used to assess the Council's performance had been tougher than for 2007.

Members commented and were provided with additional information on the following:-

- (a) Recycling waste and composting – it was commented that the Council had missed this improvement target due to the failure of the County Council to provide a suitable location for AVDC to deliver bio waste to.
- (b) Customer satisfaction – it was commented that it was often difficult to interpret survey results that assessed overall customer satisfaction, particularly when it related to an issue such as open spaces.
- (c) Comprehensive Area Assessment (CAA) – clarification was sought on how the CAA would work in future years. Members were advised that the first results of the work on how the inspection activity would work would be published in the autumn of 2009. However, inspections would be undertaken for “localities” rather than for specific local authority areas.
- (d) Capital Accounting – Members were advised that there were further changes to the capital accounting regime for 2007/08 which the Council would need to ensure that it was prepared for and properly reflected in the accounts. It would also be important to ensure that appropriate resources were made available to implement the changes successfully.

RESOLVED –

That the contents of the External Auditor’s Management Letter for their audit based upon the 2006-07 accounts be noted.

4. EXTERNAL AUDIT DRAFT AUDIT AND INSPECTION PLAN

The Committee received the external auditor’s draft Audit and Inspection letter 2008-09 which set out the audit and inspection work that the external auditors planned to undertake during the next financial year. The plan had been developed after consideration of:-

- work specified by the Audit Commission for 2008-09.
- current national risks which are relevant to AVDC.
- AVDC’s local risks and improvement priorities.

Members noted that the proposed total audit and inspection fee for 2008-09 had been scaled up by 13% against the base calculation, which compared to the fee for 2007-08 which had been scaled up by 1%. Recognising that activity levels have fallen since the transfer of the housing stock Members believed that the fee for 2008-09 should have decreased, not increased as proposed in the plan.

The external auditors were asked to explain how, in the light of the transfer of the Council’s housing stock and an increase of only 1% in funding from central Government, an increase in fees of this size could be warranted. The Council’s Relationship Manager explained that the total audit and inspection fee had been calculated using the Audit Commission’s prescribed scale of fees. The Audit Commission was in the process of reviewing the scale of fees

for 2008-09 following complaints from a number of Councils on the increases in their proposed fees for 2008-09. It was possible that the Audit Commission's scale of fees would be revised. Any changes would be reported back to the Committee.

Following further discussion on the use of resources, value for money and other that would be undertaken during the next year , it was

RESOLVED –

- (1) That the proposed total audit and inspection fee for 2008-09 of £122,357 be noted.
- (2) That the Committee's concerns on the increase in the proposed fee be passed back to the public consultation being undertaken by the Audit Commission.

5. ANNUAL GOVERNANCE STATEMENT

The Committee received a report explaining the requirement for the authority to produce an Annual Governance Statement declaring the degree to which it meet the new Chartered Institute of Public Finance and Accountancy (CIFPA)/ Society of Local Authority Chief Executives and Senior Managers (SOLACE) Governance Framework. The report also explained the Committee's role in the Annual Governance Statement process.

Members attention was drawn to the key elements of the systems and processes that comprised the authority's governance arrangements. It was acknowledged that the effectiveness of some areas could be improved, e.g. updating Code of Conduct and Standing Orders, promoting whistle-blowing procedures, identifying Member development needs and partnership governance arrangements. A plan to address weaknesses and ensure continuous improvement of the governance arrangements was currently being put in place. The Annual Governance Statement would be submitted to the Audit Committee in June 2008, along with the draft Statement of Accounts.

Members commented on the following:-

- (i) clarification was sought on the clear channels of communication that were being established with all sections of the community and other stakeholders.
- (ii) clarification was sought, and an explanation given by the Relationship Manager on the differences between the previous Statement on Internal Control and the Annual Governance Statement.
- (iii) Members discussed that it was difficult to measure the quality of services for users, given changes in the authority's objectives and available resources.

RESOLVED –

- (1) That the change in requirement from the annual Statement on Internal Control to the Annual Governance Statement, with effect from the financial year beginning 1 April 2007, be noted.
- (2) That the Audit Committee's role in the Annual Governance Statement process be noted.
- (3) That the assurance gathering process and format of the Annual Governance Statement, as detailed at Appendix 2 of the Committee report, be agreed.

6. DRAFT INTERNAL AUDIT PLAN 2008-09

The Committee received the draft Annual Internal Audit Plan 2008/09 regarding internal audit work to be undertaken relating to the Council.

The Plan had been developed having regard to the Council's risk management, performance management and other assurance processes. The proposed audit reviews in each area were still being discussed and agreed with the relevant managers and the detailed scope and coverage of each review would also be agreed with management at the start of the audit work. The final version of the Annual Internal Audit Plan would be submitted to the Committee's June meeting. Members commented on the following:-

- (i) clarification was sought on how the Council engaged assistance to undertake specialist audit work. It was explained that this work could be undertaken through the joint working agreement between the Bucks Councils or by using the Deloitte's call-out contract. A small contingency fund was also available for this purpose.
- (ii) it was confirmed that the internal audit team were satisfied that the 70 days allocated for work on the Corporate Risk Registers for major projects, the growth agenda and business continuity / emergency planning would be sufficient (a contingency of 22 days resource had been built into the overall plan).
- (iii) Members asked for a better explanation to be provided of the work to be undertaken under the heading 'Assurance Work and Service, Project and Systems Risks', including specifying the priority for each piece of work.
- (iv) an explanation was provided on the methodology used to put together the Internal Audit Plan. It was also explained that Internal Audit had a "managed audit" relationship with the Audit Commission under which the external auditors would look to be assured by the work of the internal audit team.

RESOLVED –

That the Annual Internal Audit Plan for 2008/09 be approved, subject to the refinements detailed at (i) to (iv) above.

7. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing them of the progress made to date on work identified in the current financial year's Audit Plan. Some items from the Audit Plan for 2007/08 were still in progress but would be completed by the end of the financial year. There were no additional significant matters to report.

Members asked that information from the review of data security at AVDC and on business continuity arrangements be reported to the Committee's June meeting.

RESOLVED –

That the progress made to date on work identified in the current financial year's Internal Audit Plan be noted.

8. AUDIT TRACKER

The Committee had previously looked at the format of the Audit Tracker and suggested changes that could be made to improve its layout and content.

Members received a report examining the reasons for the Audit Tracker and looking at what should be included in it. The report explained the external / internal audit process and how the Audit Management system worked to record recommendations and actions taken by management and others in response to them. Appendix 1 also set out a set of principles for the Committee to consider as the parameters for putting together the Audit Tracker in the future. Members commented as follows:-

- (i) that the Audit Committee needed to ensure that it closely monitored the number of recommendations that had been actioned and closed, rather than the number of recommendations that had been opened.
- (ii) that they would like reports to include information on low priority target actions that had not been closed within one year of issue.
- (iii) that the Internal Audit Manager be thanked for the work she had done in improving the quality of the Audit Tracker.

RESOLVED –

That the format and content of future Audit Tracker reports, as detailed at Appendix 1, be agreed for future tracker reports, subject to the inclusion of the Members' comments detailed at (i) to (iii) above.

9. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the draft Work Programme for the period up until March 2009. It was agreed that an item on Data Security should come to the Committee's June meeting, and that an additional informal meeting be held on 21 May 2007 (subsequently rearranged for 12th May) to look at the Risk Registers for the Council's major projects and for the growth agenda

RESOLVED –

That the Work programme be amended to reflect the changes referred to above.

10. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 24th June, 2008, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.