

AUDIT COMMITTEE

24th June, 2008

PRESENT:- Councillor N Blake (Chairman); Councillors Chilver, Isham (Vice Chairman), Hughes (in place of Lambert), Kennell, Mrs Rowlands and Smith (in place of Cadd). Councillor Mrs Morgan-Owen attended also as an ex-Officio Member.

APOLOGIES: Councillors Cadd, Lambert and Mills.

TRAINING

Prior to the commencement of the formal business of the meeting, Members received a presentation on “Debt Management in AVDC”.

1. MINUTES

RESOLVED –

That the Minutes of the meetings held on 17th March, 2008 and 14th May, 2008 be approved as correct records.

2. INTERNAL AUDIT MANAGER’S ANNUAL REPORT FOR 2007-08

The Head of Internal Audit is required to provide a written annual report to those charged with governance timed to support the Annual Governance Statement.

The Committee received a report detailing the Internal Audit’s opinion on risk management, control and governance and their effectiveness in achieving the Council’s agreed objectives for 2007-08. Based on this work, Internal Audit had reached the opinion that the Council’s key financial systems were operating soundly. There were no fundamental breakdown of controls resulting in material weakness sufficient to qualify the overall audit opinion.

However, the Internal Audit team had given a “limited” or “no” assurance opinions in a number of areas this year, including data protection and freedom of information, internet and telephone procedures, compliance with contract procedures, risk management and operational road risk. In several of these areas actions had already been taken to improve the control environment. Those still outstanding were from audit reports which had been issues more recently. Progress made against these issues would be reported to the Committee via the Audit Tracker.

Members commented on the following:-

- (i) that a number of actions points throughout the report mentioned that the Corporate Team and senior management were working to address identified problems, and it was suggested that the explanations should also mention the actions being taken by political leaders.

- (ii) Partnership Arrangements – clarification was sought and an assurance provided that this audit work would be carried out during 2008-09.
- (iii) National Fraud Initiative – a fuller explanation was provided on the powers granted to the Council under the Regulation of Investigative Powers Act (RIPA) to carry out surveillance of individuals.
- (iv) IT Governance – Members commented that the IT Security Policy needed to be agreed and promulgated across the Council as soon as possible.
- (v) ‘Limited’ / ‘No’ Assurance opinion – Members were informed that one ‘no’ assurance opinion had been given in the 2007-08 year which related to operational road risk.
- (vi) Staff Code of Conduct – Members agreed that the new Staff Code of Conduct needed to be communicated as widely as possible to all staff.
- (vii) Benefit Fraud – that they would like to receive information comparing AVDC’s performance in this area to national averages and to Nearest Neighbour authorities.

RESOLVED –

That the contents of the Internal Audit Manager’s report for 2007-08 be noted.

3. ANNUAL GOVERNANCE STATEMENT 2007-08

The requirement to publish an Annual Governance Statement was reported to the Audit Committee in March 2008. That report set out the reasons for the preparation of the statement and the Audit Committee’s role in the Annual Governance Statement process. At that meeting the Audit Committee approved the assurance gathering process (which was similar to that previously used during the preparation of the Statement of Internal Control) and the format of the statement. The statement is based on the management, risk management and internal control framework of the Council and, in particular, on the independent report of the Council’s Audit Manager, which was reported to the Committee.

The Committee received a report on the Annual Governance Statement 2007-08 and were informed that once it had been approved by the Audit Committee, the statutory Annual Governance Statement would be signed by the Leader of the Council and the Chief Executive. The key points raised in the statement were;

- (i) that risk arrangements had been strengthened by the appointment of a dedicated Risk Manager. This had greatly assisted service areas to maintain and keep up-to-date comprehensive risk registers for the management of corporate, generic and service risks.
- (ii) that all Heads of Service had put together a service assurance statement which covered the internal control framework within their service’s operation. Issues of concern identified by Heads of Service, together with the details of proposed remedial action, had been included in the draft statement.

These items would be included in the Audit Tracker so that the Audit Committee could monitor the progress made in resolving the issues.

Members commented on the following:-

- (a) it was suggested that two changes be made to the Statement:-
Paragraph 3.3.2 – that the second sentence be updated with more user friendly text to read as follows, “The first task was to undertake a complete review and restructuring of the Council’s capital programme. This first checked that all items complied with AVDC’s corporate objectives. Business case validity, contribution to service development and affordability were also then assessed for each project.”
Paragraph 4.5.1 – that the Committee’s first annual report be prepared in the Spring of 2009, which would bring the process in line with the annual reports produced by other Committees.
- (b) concerns were expressed that some Members may not be fully aware of their responsibilities relating to information security.

Having critically reviewed the Annual Governance Statement 2007-08 and the supporting documentation, having considered the robustness of the Council’s governance arrangements, and monitored the actions arising from the review arrangements, it was

RESOLVED –

- (1) That the contents of the Annual Governance Statement 2007-08 be noted.
- (2) That the Annual Governance Statement 2007-08, as amended by the comments at (a) above, be approved for inclusion in the Council’s Statement of Accounts for 2007-08.
- (3) That a Briefing Note be sent to all Members explaining their responsibilities relating to information security. (It was commented that it would be useful for the Briefing Note to including information on frequently asked questions likely scenarios.)

4. DRAFT STATEMENT OF ACCOUNTS AND OUTTURN POSITION 2007-08

The Committee received a report presenting the draft accounts and the final outturn position for the financial year that ended on 31st March, 2008. The accounts had still to be inspected by the External Auditors and any adjustments that might be required as a result of that inspection would be reported to the Committee at a later date. Regulations required the draft accounts to be approved by 30 June each year.

As detailed in the March 2008 Financial Digest, the Council’s General Fund budget for 2007-08 had shown a net underspend of £382,046. However, this was £117,954 lower than expected in the latest budget planning round and effectively reduced the amount of working balances available for future years.

This overall variance represented 0.1% against the gross budget of £85m and was, therefore, a significant achievement.

Members attention was drawn to the following issues:-

- (i) that a short explanation of the main statements was at Appendix A to the Committee report, with the main accounts detailed at Appendix Bi.
- (ii) that the actual use of balances in 2007-08 had been £1.1m, compared with £1.0m assumed in financial planning. The Authority's auditors had previously highlighted that the Council's expenditure had exceeded income for a number of years and that this year on year use of resources was unsustainable. The position was being addressed through the medium term work plan but would require some difficult decisions relating to savings to be made in future years.
- (iii) an explanation was provided on areas that had significant budgetary variances (car parking income, local land charges, office accommodation, Civic Centre impending closure, town centre open spaces and Design Services).
- (iv) the Housing Revenue Account (HRA) had been closed on 28 March, 2008, with the overall balance of £2.324m being transferred to the General Fund balance. This money would be used to offset the residual HRA costs that remained in the General Fund.
- (v) that the following corrections needed to be made to the draft Statement of Accounts:-

page 22 of 38 – the headings in the first table should read from left to right, 'Deposits with Banks and Financial Institutions', 'Amount at March 2008 £'000', 'History Experience of Default %', 'Adjustment for market condition at 2007/08 %', 'Estimated Maximum exposure to default £'000'.

page 25 of 38 – in the second table, line 6 should read 'Actuarial (Gain) / Loss'.

page 27 of 38 – On line 1, the first mention of 'Capital Financing Account' should be changed to read 'Capital Adjustment Account'.

page 33 of 38 – in the third table, the total increase in levels of precepts for 2007/08 (total at bottom of the right hand column) should read '525'.

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

- on the increased costs associated with the operation of the Gateway offices.
- on the actions being taken within the Medium Term Financial Plan to ensure AVDC's spending matched income in future years.
- page 9 of 38 – on the Statement of Balances, Net Amount required by Statute and Non Statutory Proper Practices.
- page 10 of 38 – which assets had increased in value as recorded in the revaluation reserve.

- page 12 of 38 – relating to Aylesbury Special Expenses cemetery expenses.
- page 22 of 38 – on how often credit risk of debtors were reviewed, and the provisions made relating to trade debtor bad debts.
- page 25 of 38 – the nature of the actuarial gain within the pension fund.
- page 27 of 38 – on the line item in the Capital Adjustment Account relating to impairment, depreciation and deferred charges.

RESOLVED –

- (1) That the outturn position for 2007/08 be noted.
- (2) That the draft Statement of Accounts as amended be approved for inspection by the External Auditors.

5. EXTERNAL AUDIT – AUDIT AND INSPECTION PLAN AUDIT 2008-09

The External auditors submitted the final version of their Audit and Inspection Plan for 2008-09, which set out the audit and inspection work that the external auditors planned to complete during the financial year. A draft of the plan had been submitted to the Audit Committee in March this year.

The plan had been developed after consideration of work specified by the Audit Commission for 2008/09. Members were advised that the fee for opinion work was a best estimate at this time but might change following the submission of the 2007/08 accounts and depending on the work involved in the new Use of Resources opinion (which would be based on the Comprehensive Area Assessment), and work required to be undertaken on data quality. Any changes in fees required to undertake opinion work would be reported back to the Committee.

Members commented on the following:-

- (i) Affordable Homes targets – the External Auditors were asked to give consideration to the fact that this target was influenced by factors beyond the Council’s control.
- (ii) Total Audit Inspection Fee – Members welcomed the reduction in the total audit fee, as reported in March 2008, and asked that, where appropriate and possible, efforts were made to further reduce the fee that the Council was required to pay.
- (iii) clarification was sought and provided on the timetable and indicative dates for planned outputs up until March 2010.

RESOLVED –

That the contents of the External Audit – Audit and Inspection Plan for 2008-09 be noted.

6. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing them on the progress made to date on work identified to be undertaken in the current financial year. Members were advised that the main audit work relating to the 2007/08 would commence as soon as the accounts were provided to the external auditors.

Part of the work required to be carried out for 2007/08 had included a triennial review of the AVDC's internal audit function. The review had identified that the service was compliant with the relevant standards and, as such, the external auditors would be able to place reliance on their work as part of their audit.

RESOLVED –

That the contents of the External Auditors' report be noted.

7. INTERNAL AUDIT PLAN 2008/09

The draft Internal Audit Plan for 2008/09 had been presented to the Committee in March. Following discussion and questioning some amendments had been made and the final plan circulated to all Members of the Committee.

The Plan had been prepared to comply with the requirements in the CIPFA Code of Practice for Internal Audit in Local Government.

RESOLVED –

That the Internal Audit Plan for 2008/09 be approved.

8. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report from the Internal Audit Section on the progress made to date on work identified in the current financial year's Audit Plan. The report included:-

- (i) that an audit review of data security had resulted in a number of recommendations to improve current security practices. These had been discussed with the Head of IT and additional technical information was being sought before the report was finalised.
- (ii) that audit had been reviewing the processes used to collate information for performance indicators in Contract Services. Planning relating to work on the peer review system used by Environmental Health to demonstrate compliance with the Environmental Management System registration had also commenced.

RESOLVED –

That the contents of the Internal Auditor's report be noted.

9. AUDIT TRACKER

The Committee received the Audit Tracker, in its new and improved format, which included information:-

- (i) listing audit reports issued since the last quarterly meeting, showing for each report the area reviewed, the audit opinion, the number of recommendations and the priority of all recommendations.
- (ii) reporting on all outstanding high, medium and low recommendations which had not been implemented, and had exceeded their target dates by more than three months.
- (iii) on the number of recommendations that had been implemented and closed during the period.

Following a discussion of the Tracker, it was

RESOLVED –

That the new format is adopted and the contents of the Audit Tracker be noted.

10. AUDIT BRIEFING NOTE

The Committee received a report outlining the Briefing Note process. Briefing Notes would be issued periodically to Members of the Committee and would provide an opportunity for Members to raise any questions that they had on the matters covered. The first Audit Note (June 2008) had recently been circulated to Committee Members and covered issues including business continuity and disaster recovery, risk management, data security and use of resources / value for money.

During discussion it was agreed that a Briefing Note on the latest costs information for the new theatre should be prepared and sent to all Members.

RESOLVED –

That the briefing note process be endorsed.

11. AUDIT COMMITTEE WORK PROGRAMME 2008/09

The Committee considered the draft Work Programme for the period up until March 2009. It was commented that a draft of the Committee's first annual report be submitted to the 16 March 2009 meeting.

RESOLVED –

That the Work Programme be approved, as amended by the addition of the above item.

12. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 16th September, 2008, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.