

# AUDIT COMMITTEE

5<sup>th</sup> November, 2008

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

**APOLOGIES:** Councillor Mills.

## 1. MINUTES

RESOLVED –

That the Minutes of the meetings held on 16<sup>th</sup> September, 2008 be approved as a correct record.

## 2. AUDIT COMMISSION – GOVERNANCE REPORT

A copy of the External Auditor's draft Governance Report was submitted to the Committee's 16<sup>th</sup> September, 2008 meeting although, at that time, the Audit Commission were still working on the 2007/08 audit of the Council's accounts.

The Committee was advised that the Accounts Memorandum and the Annual Governance Report had been amalgamated into one Annual Governance document, and that a draft of this document had been circulated separately to Members prior to the meeting.

The External Auditors had now completed their work and would be issuing an unqualified opinion on the Authority's accounts for the year ending 31 March 2008. Members were advised that the audit of the accounts had identified over 100 queries which had then been looked at through several versions of the accounts. As such, this was likely to impact on the Council's Use of Resources score and result in an additional fee being charged by the external auditors for the total audit and inspection fees for the year.

The Head of Finance thanked the External Auditors for their work but highlighted that delays in the commencement of the audit process, because of the Audit Commission's commitments elsewhere, were considered to be a contributing factor in terms of the number of changes required to the accounts. He expressed the view that through a closer and better planned process next year a significant number of the problems experienced this year could be resolved.

The External Auditors further detailed the headline items from the Annual Governance Report relating to the Income and Expenditure account, the Balance Sheet and the Cash Flow statement. An undertaking was given to look at ways of working more closely with the Council's officers next year during the audit of the end of year financial accounts. It was likely that new

international financial reporting standards, to be introduced from 2009/10, would place additional pressures on the process.

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

- (i) it was confirmed that the final Annual Governance Report would be issued and reported to the Committee.
- (ii) it was requested that, where possible, information be provided to Members in advance of the meeting rather than being reported verbally.
- (iii) on the committed expenditure within the capital programme.
- (iv) it was explained to Members that since the Icelandic banks crisis had occurred before the accounts had been signed off, the auditors would need to consider the impact that monies invested in Icelandic banks would have on the Council's accounts.

Following a further discussion, it was

**RESOLVED –**

That the position regarding the Annual Governance Report be noted.

### **3. AUDIT COMMISSION – AUDIT OPINION**

The Committee received a verbal report from the External Auditors on their audit opinion of AVDC's accounting statements for the year ending 31 March 2008. This included the external auditor's comments on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources. As had been previously discussed during the consideration of the Annual Governance Report, the external auditors would be issuing an unqualified opinion on the Authority's financial statements for the year ending 31 March 2008.

**RESOLVED –**

- (1) That it be noted that the External Auditors would be issuing an unqualified opinion on the Authority's financial statements for the year ending 31 March 2008.

### **4. ADOPTION AND APPROVAL OF FINAL ACCOUNTS**

The Committee received a report updating Members on the progress in terms of adopting, approving and signing off of the final accounts for 2007/08. At the last meeting Members had approved the accounts including the latest set of changes identified as part of the Audit review process. However, at that point the external auditors had not completed their work and so the Committee had delegated to the Head of Finance, in consultation with the Chairman or Vice Chairman, the ability to make such final minor changes to the accounts as considered necessary in order to achieve the 30<sup>th</sup> September deadline.

As previously mentioned at the meeting, the External Auditors' had now completed their audit work on AVDC's final accounts for the 2007/08 financial year. The final statement of accounts, containing additions and amendments, was submitted to the Committee who were provided with additional information on the following:-

- (i) Special Parking Areas – it was confirmed that the County Council had paid the £568,277 which was its share of the cumulative deficit.
- (ii) Depreciation Charge on Old Assets – further information was sought and provided on the changes that had been made, and the impact that this had on the Asset Register.

RESOLVED –

- (1) That the additional changes and amendments made to the final accounts for Aylesbury Vale District Council for the financial year 2007/08 be noted.
- (2) That the Committee re-adopt and approve the final accounts for Aylesbury Vale District Council for the financial year 2007/08, in light of the additional changes requested by the External Auditors.

## **5. AUDIT COMMISSION – USE OF RESOURCES**

The Committee was informed that the initial scores for the Use of Resources (UoR) assessments had been submitted to the Audit Commission. The scores were still subject to national review before they could be formally reported. The implications from the changes that had been made to AVDC's accounts were that the Council would be likely to score one for financial reporting and, as such, could not receive a UoR assessment score higher than two overall. (The Council's overall UoR assessment score for the previous year had been a score of two).

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

- (i) it was clarified that the Use of Resources assessment process should be finalised by mid November, after which there was a period during which the Council could appeal against their score, if they wished.
- (ii) on the scoring used for the financial reporting assessment and how the Council might improve this assessment score in future years. Members were advised that the primary reason that the Council was likely to receive a financial reporting assessment score of one was that a material error had been made in version one of the accounts relating to the capital programme.

RESOLVED –

That the External Auditors' report be noted.

## 6. REVIEW OF INTERNAL AUDIT EFFECTIVENESS

The Accounts and Audit Regulations issued in 2006 require a review of the effectiveness of Internal Audit to be conducted at least once a year.

The Committee received a report on the operation of the Internal Audit Section, which had been self-assessed against the Chartered Institute of Public Finance Accountants (CIPFA) “Code of Practice for Internal Audit in Local Government in the United Kingdom” checklist. The checklist enabled service provision to be measured against the standards set out within the Code.

A copy of the completed checklist together with an Action Plan for implementation was attached as Appendix 1 to the Committee report. No new actions had been identified as part of this year’s review, whilst the previous Action Plan had been updated to show actions undertaken since the last review.

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

- (i) it was clarified that staff re-structuring that affected the Internal Audit Section was close to completion.
- (ii) on the Principles of Independence for audit work and the exchange of audit staff with the County Council.
- (iii) Members were informed that there were no audit staff who had worked in other areas of the Council recently that would preclude them from undertaking audit work in an area.
- (iv) Members were advised that the Head of Internal Audit would be looking to establish a dialogue with regulatory and inspection agencies, other than the external auditors, that interacted with the Council.
- (v) it was confirmed that the Council’s Financial Regulations were due to be reviewed early next year, and that the Financial Services Plan budget was regularly reviewed.
- (vi) Members were informed that audit tried to issue reports within 2-3 weeks of concluding an inspection. This time period would be extended if negotiations were needed with management to agree actions to be taken in response to an audit.
- (vii) Members were advised that the audit team discussed amongst themselves any interests that could be perceived to be conflicting or could potentially lead to conflict in their work, although staff were not currently required to sign an annual undertaking, which was the case with some organisations.
- (viii) information was provided on the annual process for planning the work of the Internal Audit Section, which included reporting the draft Internal Audit Plan annually to the Committee.

RESOLVED –

That the report be noted.

## **7. CIPFA INTERNAL BENCHMARKING RESULTS**

The Committee received a report informing them on the results of the 2008 benchmarking exercises for Internal Audit, Fraud and Insurance. For Internal Audit and Insurance, the benchmarking club was run by the Chartered Institute of Public Finance Accountants. For Fraud, the benchmarking was run on a less formal basis on a group of Councils in the local area.

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

- (i) it was confirmed that, due to the current economic climate, the Council was expecting an increase in the number of fraud investigations that would have to be undertaken. Temporary staff would be used to assist with additional workloads, if required.
- (ii) further information was sought and provided on the processes followed by the Council prior to the write-off of sundry debts.

RESOLVED –

That the results of the 2008 benchmarking exercises for Internal Audit, Insurance and Fraud be noted.

## **8. AUDIT COMMITTEE WORK PROGRAMME 2008/09**

The Committee considered the draft Work Programme for the period up until March 2009. It was requested that agenda items on the sundry debt write off process and Treasury Management Strategy, relating to investments, be added to the future Work Programme.

RESOLVED –

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

## **9. FUTURE MEETINGS**

The next meeting of the Audit Committee would be held at 6.30 pm on the 8<sup>th</sup> December, 2008, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.